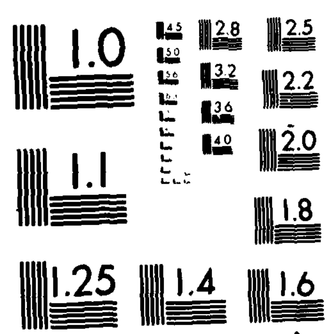
AD-A109 608 DEPARTMENT OF STATE WASHINGTON DC OFFICE OF EXTERNAL--ETC F/G 5/4
THE LOME CONVENTIONS AND THEIR IMPLICATIONS FOR THE UNITED STAT--ETC(U)
NOV 81 J MOSS

UNCLASSIFIED FAR-251-GP NL

0960



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

FAR 251-GP

LEVEL II

2

AD A109608

THE LOME CONVENTIONS

and their

IMPLICATIONS FOR THE UNITED STATES

Joanna Moss, Ph.D.
560 San Luis Road
Berkeley, CA 94707

November 1981

This report was written for
the U.S. State Department
Office of External Research
Contract No. 1722-12001-LW

ACKNOWLEDGEMENTS

The preparation of this study has been a challenging and rewarding experience. As with any study of this magnitude, one can't do it alone. I would like to express very special appreciation to John Ravenhill, my brother in research, who provided insight, encouragement and an acute understanding of Lome issues. Owen Kahn was of fundamental assistance in the preparation of the sections on minerals and foreign aid. My special thanks go to Ravi Thomas for his expertise in statistical issues, to Rebecca Schulman for her efforts in literature search, and to Catharin Dalpino for background research. Professor Rosberg and the staff of the Institute for International Studies at the University of California at Berkeley deserve my special gratitude for providing me with an office whose quiet and calm were instrumental in preparing this study. Finally, without the editorial and typographical assistance of my husband Robert, not to mention emotional support, understanding and encouragement, this report would not have been possible.

EXECUTIVE SUMMARY

The Lome agreements which govern economic relations between the European Economic Community (EEC or Community) and the African, Caribbean and Pacific Group (ACP) have their origins in the Treaty of Rome, signed in 1957. At its inception the European Economic Community was comprised of six members -- France, Belgium, Luxembourg, Italy, Germany and the Netherlands. At the insistence of the French, who had a large number of colonies in Africa, the Treaty designated as "associates" those eighteen African countries which had colonial ties with France and Belgium. Association meant a preferential tariff system between Europe and the African colonies, a program for overseas development assistance through the European Development Fund, and privileged commercial positions in the African countries for the entire European Community membership. With independence came the Yaounde Conventions I and II (1964-1975) which retained many of the same provisions as the association under the Treaty of Rome, but increased aid monies and lowered tariffs to create the approximation of a free-trade area between Europe and Africa. In addition, the Community entered the Arusha Convention (1970-1975) which liberalized trade relations with several East African states.

In 1973, when the United Kingdom, Ireland and Denmark joined the Community, the U.K.'s special trading arrangements with the Commonwealth had to be integrated into the emerging North-South relationship. Even before British entry to the Community, the EEC had offered association to Commonwealth Africa and to the previously unassociated African

countries (Equatorial Guinea, Ethopia, Guinea, Liberia and Sudan). But this time the Southern countries wanted to go beyond the Yaounde relationship. Against the backdrop of the first oil embargo and European fears of its spread to other commodities, the Commonwealth states, the Yaounde states and the previously non-associated states formed the African, Caribbean and Pacific group (ACP). It was the ACP that negotiated with the EEC a new Convention, named after Lome (Togo) where it was signed in 1975. Lome I was in force for five years (1975-1979), and continued, with minor modifications, in a second agreement — Lome II — that is presently in force (1980-1985). The major provisions of Lome are:

1) Trade: The ACP were granted duty-free access to the Community for 99.5% of their exports on a value basis, with no reciprocal preferences required in the ACP states; a separate protocol allowed 1.4 million tons of sugar to enter the Community at Common Agricultural Policy related prices.

2) Aid: The ACP received approximately $4.3 billion in foreign assistance and concessionary financing under Lome I, later increased to $6.1 billion under Lome II and administered through the European Development Fund (EDF) and the European Investment Bank (EIB).

3) Export Earnings Stabilization: STABEX was established to provide assistance for earnings shortfalls of many ACP agricultural exports.

4) <u>Assistance to Mineral Exporters:</u> Lome II introduced SYSMIN, a program assisting mineral producers experiencing production difficulties.

5) <u>Industrialization and Technology Transfer:</u> the Center for Industrial Development was created.

In return for these provisions the ACP agreed to grant the EEC countries "most-favored-nation" (MFN) status in trade and nondiscrimination in commercial relations. Under Lome II the ACP further agreed to a quasi-multilateralization of bilateral investment treaties.

There are presently 61 ACP states, of which more than 40 are designated as either least-developed, landlocked or island states (henceforth termed "least-developed"). The least-developed ACP are given special treatment within the Convention through grants, lower interest rates and lower thresholds.

Trade between the EEC and the ACP has been analyzed in this study by examining average market shares of the two regions and their major subgroupings. Among the subgroupings studied were the oil and non-oil exporters, the ex-Yaounde and Commonwealth countries, the Caribbean, Pacific and Asian states and the previously non-associated ACP.

A comparison of trade during the five Lome I years (1975-1979) with trade during an equivalent preceding period (1970-1974) revealed that, despite duty-free access, the ACP share in EEC markets declined

from 45.6% to 38.4% (expressed as a percentage of ACP exports to the whole world). This finding is not surprising, since the trade preferences instituted under Lome mean very little in a scenario where at least 75% of the ACP exports already enter the Community free of duty. The recent GATT rounds, the Community's General Scheme of Tariff Preferences (for developing countries) and the MFN status given to many non-ACP developing countries have further sapped the strength of the Lome preferences.

ACP trade performance was also analyzed by examining the relative importance of various developing regions (oil and non-oil exporting) in EEC markets. Once again, the ACP declined in importance. Its share of EEC imports from the whole world and of EEC imports from various developing areas — oil and non-oil — showed declines.

Quite contrary to these disappointing ACP results, Community exports maintained their position in ACP markets; in fact, considering the escalating ACP oil burden, EEC trade can be said to have improved.

The ACP experienced a trade deficit with the EEC and a trade surplus with the United States for most years of Lome I. The U.S.'s share as an ACP import supplier declined, whereas the ACP (especially its oil- and mineral-rich countries) became increasingly important to the U.S. Furthermore,there is some evidence that the EEC gained at the expense of the U.S.: the market share analysis shows that the U.S. deficit increased, while the Community recorded a surplus at least partially thanks to the increasing purchasing power of the oil- and mineral-rich ACP countries, whose coffers were being filled by the U.S.

Although EEC statistical sources report the Europeans running a trade deficit with the ACP for good part of Lome I, the results of this study show the opposite. This apparent inconsistency is resolved when one considers the two points of view from which a trade balance can be viewed, i.e. whether c.i.f. charges should be included or excluded. Both the ACP and the EEC measure imports c.i.f. and exports f.o.b., each from their perspectives, in calculating their trade balances. If the c.i.f. charges are sufficiently large, both sides can be recording a deficit at the same time.

While U.K. trade with the ACP declined both for import and export shares during Lome I, France improved her position. The major determinant of British trade patterns was its North Sea oil, which allowed the U.K. to reduce its dependence on the ACP for petroleum. The U.S., on the other hand, imported increasing amounts of oil from Nigeria and minerals from other ACP states. Meanwhile, the continental Community members continued to import most of their petroleum from the Middle East.

Other noteworthy results of the trade analysis are: the previously non-associated countries showed no response to their new Lome preferences in their trade with the EEC; the non-oil Commonwealth states improved their position with the enlarged Community; Denmark and Ireland, the other two new EEC members, made inroads in ACP import markets; ACP sugar producers made significant gains.

The commodity composition of ACP exports experienced little change, primary products continuing to make up 95% of exports to the EEC. Although petroleum remained the single most important ACP export (never falling below 25%), ACP exports of aluminum, thorium, uranium ores and oil derivatives did increase in importance in terms of their share of total EEC imports.

Increasing the share of manufactures in their exports is regarded by the ACP countries as the best hope for achieving the stabilization and the eventual increase of their export earnings. There is little encouragement from their performance during Lome I. ACP manufactures remained less than 5% of total exports to the EEC. The Rules of Origin are partly to blame: The ACP would like to attract non-EEC foreign investment, which would help it produce semi- and fully manufactured goods and allow it to take advantage of its duty-free access to the Community. In turn, non-EEC investors might find it advantageous to use production in the ACP as a means to gain duty-free access to the Community. But, enter the Rules of Origin which require that, typically, 50-60% of the value of an export product emanate from within Lome participants. On their own, most of the ACP countries cannot hope to provide the needed inputs to the export production process because of their low level of economic development.

Lome I represented of financial commitment of about $4.3 billion. Some 80% was channeled through the EDF as programmed and non-programmed (STABEX) aid and 20% went into EIB activities in the form of concessional financing, investments, and the like. During Lome I, EDF programs emphasized industrialization (26.4%), infrastructure (18.1%)

and rural production (17.4%). EIB financing activities were most important in industry (57.5%) and energy (28.1%). EEC aid is characterized by its multi-year quality and by its co-finaneing activities with funds from both EIB and other donors. In the past two years, the Arab share has grown to the point where it now represents over 20% of co-financing activity. By integrating trade, aid, and export earnings stabilization into one compact, the Europeans are able to generate more coordination between programs.

EDF/EIB funds appear to have been equitably distributed among the ACP countries. The Yaounde countries did unusually well in acquiring aid funds, perhaps because of their familiarity with the EDF aid granting procedures and the number of ongoing projects sponsored by the EDF. The least-developed ACP countries, 40% in number, received proportionately more of the aid monies (60%).

Lome II provides for $6.8 billion, a 10% increase over Lome I in real terms. The EDF/EIB funding ratio remains about the same although, in an allocation separate from Lome, an additional $260 million in EIB loan monies has been earmarked for mining and energy uses.

STABEX, the much heralded stabilization scheme for export earnings, covering losses in export earnings of 34 products at its inception, was increased to cover 44 products by the time of Lome II. STABEX covers the bulk of agricultural exports from the ACP, except where these compete with EEC produce protected by the Common Agricultural Policy (CAP). STABEX rules were liberalized under Lome II making it easier for countries to qualify for funds. Under the Second

Convention, the STABEX budget accounts for about 11% of EDF monies, or $715 million.

STABEX operations are quite simple: If an ACP country's export earnings from one of the commodities covered are lower than during the previous four years, the Community provides interest-free loans to the country to compensate for the foreign exchange loss. To claim compensation, a country must prove that there was a 6.5% drop (2% in the case of the least-developed) in export earnings from the covered product, and that the product accounts for at least 6.5% of total export earnings (again 2% for the least-developed). Repayment begins when the product price has risen, except for the least-developed countries, which are not asked to repay. Loan repayments are used to replenish the system.

Under Lome I, STABEX paid out close to $490 million. Of 37 ACP countries that received transfers, Senegal, Mauritania, Niger, and Tanzania received the lion's share. The most important commodities involved in the shortfalls were peanuts, iron ore, sisal and cotton.

While STABEX has been widely praised as a first in North-South relations, it has its shortcomings: STABEX funds are quite modest in relation to the problems they were meant to tackle; its small and infrequent transfers are of dubious lasting effect; its selective product coverage limits its effectiveness; the threshold system used to determine eligibility is arbitrary and rigid; by confining eligible products to their raw form, STABEX discourages ACP states from divers[illegible]ng a attempting more value-added production; the reliance on

nominal rather than real values serves to reduce the financial significance of STABEX; in covering only exports to the Community, STABEX encourages countries to expand trade with the EEC.

On the other hand, STABEX compares favorably to the Compensatory Financing Facility (CFF) of the International Monetary Fund (IMF). The CFF calculates the balance of payments shortfall on the basis of the previous 12 months. As with first tranche drawings, when countries receive the funds they are asked to consider internal and external policy changes. As for STABEX funds, the countries are asked only to report how they used their monies. Furthermore, the IMF has far more stringent repayment terms than does STABEX. Nevertheless, the CFF remains a more important source of "bailout" funds for ACP states having balance of payments difficulties because the resources at its disposal are over 30 times greater than those of STABEX.

Because of EEC concern about the security of future supplies of raw materials, SYSMIN, a mineral production support scheme, was developed under Lome II. SYSMIN makes funds available to ACP states whose production has been affected by serious temporary disruptions beyond their control.

SYSMIN's focus is mainly remedial: its budget of approximately $364 million is to maintain production levels that might otherwise drop in the event of accidents, serious technical mishaps, or disruptive political events, whether internal or external. Only those countries exporting one or more of nine minerals — copper, cobalt, phosphates, manganese, bauxite, alumina, tin, iron ore and roasted iron pyrites —

are eligible, and the fall in production or export capacity must be at least 10%. The minerals concerned must represent an average of 15% of the country's total export earnings for the previous four years (10% for the least-developed countries). Unlike STABEX, SYSMIN does not require the exporting country to show an actual drop in export earnings as a condition for receiving payments; it is sufficient that a country demonstrate an anticipated drop of 10% in its capacity to produce or export or in its actual earnings. Compensation is in the form of loans at 1% interest for 40 years, with a 10-year grace period. Under SYSMIN, the EEC scrutinizes the allocation of funds much more closely than STABEX.

Another consequence of EEC concern about mineral supplies are provisions incorporated in Lome II to foster EEC private investment in minerals. Specifically, the EEC can now provide 1) technical assistance financed by grants, 2) concessional risk capital and 3) private sector capital for mineral development and energy projects. Some $260 million from the EIB has been set aside for use in these two sectors through mixed public/private financing. Lome II also contains a provision whereby the ACP agrees to a multilateralization of existing bilateral investment treaties. At present there are 38 such agreements between individual EEC and ACP countries. There are no formal investment guarantee provisions.

The Lome agreements set out to sponsor industrialization in the ACP countries and to foster investment and technology transfer, largely through establishment of its Center for Industrial Development. Results in this area have been disappointing. Although the CID has sponsored

some activities, it is seriously hampered by limited resources and the fact that it is not master over the funds needed to finance the projects it sponsors.

Lome represents a fairly significant transfer of resources to the ACP from the Community, especially when remembering that EDF/EIB funds are additional to bilateral programs by individual member countries. While the relative amount of aid has not kept up with world inflation, it has certainly increased more rapidly than U.S. overseas development assistance to the ACP. EDF/EIB funds account for one-third to one-half of the total amount of multilateral aid given to the ACP. The substantial sums which the EEC chooses to transfer to the ACP must be viewed from four perspectives: First, since the EEC has limited military presence in the ACP, Lome can be viewed as a foreign policy tool and as a means of maintaining its political and economic sphere of influence, albeit in a somewhat indirect fashion. Second, one must not forget the historical and cultural ties that make Africa a special preserve for the Europeans. Third, Lome benefits the European private sector significantly. Much of the aid monies find their way back to Europe in the form of demand for EEC goods and services. This spells good business at present and continuing demand in the future. Fourth, Lome funds are a relatively low-cost means of buying off ACP demands and avoiding issues of industrial relocation within the Community. What would bolster the ACP potential for economic development is access to Community markets for all ACP exports, both manufactured and agricultural, even when competing with the CAP. Instead, in each case where Community interests have been threatened -- textiles, sugar, beef, rum and other CAP products -- the doors close to the ACP but the aid

money flows. This contention is documented by the weak ACP performance, the continued concentration on primary commodity exports, and the low levels of value-added in ACP exports. The rigidly constructed Rules of Origin, of course, cloud future export possibilities for the ACP. Non-EEC foreign investors are not likely to utilize the ACP as a springboard to duty-free access to the Community, since the Rules of Origin establish high value-added requirements within the prescribed ACP-EEC customs area. These rules are hard to satisfy for the ACP countries, with their limited resource bases and meagre levels of economic development.

From the perspective of the ACP countries, Lome is certainly not all it is chalked up to be. Each provision of the agreement seems to be constructed with potential impact on European interests on the hidden agenda (with the exception of the EDF/EIB financial commitment mentioned earlier). Nevertheless, no developing region fares better with respect to trade concessions and aid by the industrial countries than the ACP. As one EEC official aptly put it, Lome might not be all it is purported to be, but "it is the only game in town."

From the U.S. perspective, there is little doubt that Lome gives the Europeans an advantage over American competitors in economic relations with the ACP. The Community's substantial resource transfer, coupled with European bilateral aid flows, assure European economic presence, spawning continued demand for European products and services.

In comparison, the paltry sums that the U.S. provides to Africa leave no doubt as to the level of American commitment to the region.

For example, the ACP absorbed over one-third of all EEC bilateral aid to LDCs while receiving scarcely 10% of the U.S. commitment to the developing world. The deteriorating U.S. export position vis-a-vis the ACP goes hand in hand both with the stagnant aid commitment and with the declining levels of U.S. investment in the ACP. To reverse this declining trend, large infusions of U.S. public and private funds are required, along with re-orientation on an African course of programs in existing institutions, such as USAID, OPIC, EXIM Bank, the GSP and P.L. 480.

THE LOME CONVENTIONS

and their

IMPLICATIONS FOR THE UNITED STATES

TABLE OF CONTENTS

CHAPTER I

HISTORICAL OVERVIEW: FROM THE TREATY OF ROME TO LOME

Association Under the Treaty of Rome

The form and substance of the Lome Conventions, which shape European relations with the African, Caribbean and Pacific States, have their origins in a complex historical framework. The Berlin Conference in 1885 formally divided Africa into colonies of the major European powers — France, Germany, Great Britain, Belgium and Portugal. Some reshuffling of colonial possessions occurred during the First and Second World Wars and by the 1950's France, Belgium and the United Kingdom emerged as the major metropolitan powers.

In 1956-1957, the European Coal and Steel Community nations were negotiating to form the Common Market.[1] France and Belgium had possessions overseas, especially in Africa. The future economic relationships with these overseas areas, once the new European unit was initiated, was at issue. The French were particularly concerned that Francophone Africa should be closely associated with the new Community. France had close cultural and economic ties with its dependencies and had a tremendous investment in the overseas territories in Africa, which totalled nearly $1 billion. In addition, nearly half of Francophone Africa's trade went through Paris (See Table I-1). The colonies also provided France with a preferential status for French exports and resulted in additional stability for the franc. In return, the Francophone colonies enjoyed primary product sales at above world market

prices due to the surprix (Price Support System).[2] To protect these interests, France pushed for an associate economic status for the colonies as part of what was to become the Treaty of Rome.[3] The Belgians also wanted assurance that their African territories were included.[4] The negotiations became so heated and the French so adamant about colonial inclusion that they actually threatened to walk out of the negotiations altogether. The result was Article 131, which granted the French, Belgium and Italian territories in Africa, as well as the Dutch territories of New Guinea in the Pacific and Surinam in South America, association with the Common Market.

> "The Member states (the European Six) hereby agree to bring into association with the Community the non-European countries and territories which have special relations with Belgium, France, Italy, and The Netherlands.
>
> The purpose of this Association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole."

With the signing of the Treaty, the classic colonial pattern of an exclusive relationship between the metropole and its dependent colony was transformed into a new multilateral Eur-African relationship. Up to this time, Africa had been a parcel of colonies divided between the major Western European countries. They were politically administered by the metropoles and their economic activity was, for the most part, dictated by the mother country.[5] The European powers had maintained a monopoly on commercial control of the African colonies. Article 131 of the Treaty of Rome was a definite departure from this situation. By allowing all of the Common Market countries to undertake commercial activities with their colonies, the previous colonialists were giving up

their privileged monopoly position. They were allowing a multilateralization of commercial relations to take place. For the first time other European powers were to be admitted to trading, investing, and conducting commercial relations with the French and Belgium territories in Africa on a basis which conformed with that of the "mother country."[6]

Table I-1

REGIONAL DISTRIBUTION OF AAC* EXPORTS AND IMPORTS, 1953-1957
(Percentage Distribution)

		Share of EEC countries			Share of non-EEC Countries
	Total AAC	All EEC	France	Other EEC	
Exports					
1953	100.0	73.1	38.5	34.6	26.9
1954	100.0	71.9	41.4	30.5	28.1
1955	100.0	70.6	35.5	35.1	29.4
1956	100.0	72.0	37.0	35.0	28.0
1957	100.0	71.7	38.8	32.9	28.3
Average 1953-1957		71.9	38.2	33.6	28.1
Imports					
1953	100.0	63.5	42.8	20.7	36.5
1954	100.0	67.0	45.2	21.8	33.0
1955	100.0	65.3	43.4	21.9	34.7
1956	100.0	65.5	42.2	23.3	34.5
1957	100.0	65.3	42.4	22.9	34.7
Average 1953-1957		65.3	43.2	22.1	34.7

* The AAC Countries are the 18 African States associated with the Community under the Treaty of Rome.

Data in this table constructed from: International Monetary Fund, Directions of Trade, Annual Editions, 1953-1958.

The Treaty of Rome set forth three general objectives regarding the Eighteen African associated areas:[7]

1. Trade Expansion: During a transition period of 12 to 15 years, African territories were to abolish their tariffs on commodities from the Six and from each other, according to an agreed timetable, and were to enlarge quotas on imports from the Six. The European market of the Six for tropical products of the associated areas was, in turn, to be enlarged through tariff preferences provided under a common external tariff.

2. Overseas Development Assistance: Economic and social development in West Africa was to be fostered through new European institutions: the European Development Fund (EDF) and the European Investment Bank (EIB) for overseas countries and territories. $581.25 million was made available to these institutions.

3. Private Investment: A nondiscriminatory "right of establishment" was granted for the Six in the overseas territories. This meant that nationals of all EEC member countries and overseas territories could make investments, found business enterprises, and conduct commercial activities in each territory on the same basis as nationals of the metropolitan country with which the territory formerly had had special relations.

The Treaty of Rome sought to expand trade between the EEC and the associated areas by two main procedures: 1) enlarging the European market for the tropical products of the associated areas through tariff preferences provided under a common six-nation external tariff, and 2)

enlarging the African market for exports from the EEC countries by reducing tariffs and by increasing quotas on imports from the Six. The common external tariff of the six EEC countries provided the associated African territories with duty-free markets in the member-states for tropical agricultural products, thus affording them a preference over producers in Africa and elsewhere.

By opening their markets to the European Six on an increasingly nondiscriminatory basis, the associated African areas were expected to improve their positions as buyers — relative to colonial restrictions -- by widening their choice of suppliers. They were also able, with the permission of EEC officials, to manipulate their tariffs and quotas on imports from third world countries as their interests dictated. At the same time, duty-free access to the markets of the European Six provided a potentially significant advantage to the associated territories with respect to such important tropical exports as cocoa, coffee, and to some extent bananas and vegetable oils.[8]

The Treaty of Rome initiated the gradual lowering of tariffs between the two regions. These liberalized trade policies seem to have maintained existing trade channels between the EEC countries and their African associates. Table I-2 shows the regional distribution of trade of the Associated African Countries (AAC) from 1959 to 1963, the period of association under the Treaty of Rome.[9]

Table I-2

ASSOCIATION UNDER TREATY OF ROME, 1958-1963
REGIONAL DISTRIBUTION OF AAC EXPORTS AND IMPORTS
(Percentage Distribution)

	Year	Total AAC	Share of EEC Countries: All EEC	France	Other EEC	Share of non-EEC Countries
Exports						
	1958	100.0	71.7	36.1	35.6	28.3
	1959	100.0	66.8	29.2	37.6	33.2
	1960	100.0	71.7	37.2	33.9	28.9
	1961	100.0	72.9	38.7	34.2	27.1
	1962	100.0	71.9	40.0	31.9	28.1
	1963	100.0	73.0	40.1	32.9	27.0
	Average 1958-1963		71.3	36.9	34.4	28.8
Imports						
	1958	100.0	68.9	57.6	17.3	34.1
	1959	100.0	65.5	48.5	17.0	34.5
	1960	100.0	73.0	57.8	15.2	27.0
	1961	100.0	69.9	54.3	15.6	30.1
	1962	100.0	62.5	47.3	15.2	37.5
	1963	100.0	66.8	49.7	17.1	33.2
	Average 1958-1963		67.8	52.5	16.2	32.7

Data in this table constructed from: International Monetary Fund, Directions of Trade, Annual Editions, 1958-1964.

The increases in trade under the Treaty of Rome caused a slight redistribution of the relative shares of the different groups on the European side. As purchasers of African exports, the Europeans came to play a more important role by increasing their share from 71.7% in 1958 to 73.0% in 1963. The average for the Treaty of Rome period is still just below that of the colonial period. France made gains, increasing from 36.1% to 40.1% as a recipient of African products. As import suppliers to the African countries, the EEC countries did not make gains. In 1958, the EEC provided 68.9% of associated African imports,

and by 1963 they were supplying 66.8% of these goods. However, the EEC position in this respect was improved slightly from the colonial period.

As a consequence of the Association under the Treaty of Rome one might have expected a redistribution of AAC trade in favor of the "Other EEC Countries." Instead, despite the year-to-year fluctuation, the relative distributive shares remained about the same as in the pre-associated period. The Europeans purchased roughly three-quarters of African exports and the Africans looked to the Europeans for about two thirds of their imports, as they had done during the earlier colonial period. The exception here is France, which did increase in importance as an import supplier from 45% before association to 53% after the Treaty of Rome. However, this change can be partially explained by the devaluation of the French franc in late 1958 and the pari-passu devaluation of the CFA franc (the currency of the four French colonies).[10]

Viewing the situation from a global perspective, the trade results of the Treaty of Rome association appear even less impressive. In relation to other less-developed nations in general and other African states in particular, the associated group did not make significant gains. Table I-3 shows the relative shares and changes in relative shares that various groupings of less-developed regions represented as exporters to the European Common Market countries. The AAC's exports to the Europeans actually declined from 13% in 1959 to 11% in 1963, whereas total African exports to the EEC increased in importance. The changes in total African exports were due mainly to the increased North African share, largely accounted for by petroleum products. Given the trade

goals of the agreement, which were to enlarge the markets for both groups, thus stimulating trade, the trade results indicate very limited success. While trade between the Associated African Countries and the EEC did expand, it did not increase as significantly as trade between the EEC and other non-associated less-developed regions. However, the association seems to have been effective in maintaining the existing trade pattern.

Table I-3

REGIONAL* SHARES OF LDC EXPORTS TO THE EEC, 1958-1963
(Percentage Distribution)

Year	LDC's	Total Africa	AAC	North# Africa	Com-˜ peting Africa	Other Africa	Latin Amer.	Asia+	Mid. East	Other LDC's
1958	100	35	13	14	5	3	23	11	28	3
1959	100	34	13	11	6	4	24	12	27	3
1960	100	35	12	13	5	5	24	13	26	3
1961	100	36	12	14	5	4	24	12	26	3
1962	100	35	11	15	5	4	26	11	25	3
1963	100	37	11	16	5	5	25	10	26	[illegible]

* Categories taken from Directions of Trade except where noted.
# Algeria, Libya, Morocco, Tunisia.
˜ Angola, Ghana, Nigeria, Kenya, Tanzania, Uganda.
+ Asia excluding Japan.

Data in this table constructed from: International Monetary Fund, Directions of Trade, Annual Editions, 1958-1964.

African association under the Treaty of Rome was slated to last for five years. In the interim, all of the African associates had become independent and the association was renegotiated between the European Six and the Eighteen newly independent African states during 1962 and 1963.

The First Yaounde Convention

Under the Treaty of Rome, associate status of the Eighteen African territories was schedules to run for five years beginning in 1958. By the end of 1960, all of the French territories and Somalia had become independent states, and the Belgian territories were scheduled to become sovereign nations in 1962. It was decided that multilateral negotiations should take place among the Six and the Eighteen in order to determine the form the association would take when the Treaty of Rome provisions expired.[11]

Whereas in 1957 the Treaty of Rome associated the African territories without their formal consent, the negotiations for the formation of the Yaounde Convention were carried on with all of the African and European states occupying an equal status. As is the case with the negotiations between two groups with widely divergent goals, the negotiations which led to the Yaounde Conventions began with the two groups very far apart and through a process of compromise gradually progressed to an agreement.[12] The European Community began by setting forth the aims of the Community vis-a-vis the Africans in a Commission report to the Council of Ministers in July 1961. For tropical products, the Commission suggested the elimination of tariffs, quotas, and consumption taxes inside the associated areas and the accelerated establishment of the Common External Tariff (CET). Since the CET on tropical products from competing African non-associates (cocoa, bananas and green coffee) was to be lowered, the EEC offered compensation in the form of direct aid to production. They suggested enlargement of the European Development Fund (EDF) and the continuation of the rights of

establishment accorded to citizens of member and associate states on a reciprocal basis. New forms of public investment and guarantees for private investment were recommended and new institutions for the association were suggested, including a Council, a Committee, a Secretariat and a Parliamentary Assembly, to be created along the lines of the Community institutions.[13]

In the early sixties, the newly independent African states were in the process of forming intra-African organizations, which helped them form a more united front in negotiations. Important among them was the African and Malagasy Union (UAM), which was established in 1961 and which later became the Association of African and Malagasy States (AAMS). This organization consisted of the majority of French African states and the Malagasy Republic.[14] Shortly after the creation of UAM, the members formed an Economic Cooperation Organization (OAMCE), which became the representative body for all of the associates. OAMCE helped the Africans formalize their goals in the negotiations. The opening resolution of the African group set forth their early identification of views, demanding a stabilization fund with guarantees covering loans and price-stabilization measures for their tropical exports, as well as price, marketing, and anti-dumping provisions for fats and oils. The same resolution also demanded generous and effective aid procedures (in which the Africans would maintain joint management) and the establishment of a technical assistance program for the association. In addition, it increased European consumption of their exports, and called for a voice in Community decisions concerning competing African economies.[15] Further into the negotiations, the Africans also asked that existing trade and tariff protection be

maintained against non-associated competitors.

Within the EEC, there was disagreement as to the form the new agreement should take. The Dutch and the Germans, not having close historic ties to Africa, were not anxious to commit the European group to a trade scheme offered exclusively to the Yaounde group, while excluding the rest of Africa. They were also not anxious to foot a large portion of the aid bill within the European Development Fund. France and Belgium (to a lesser extent) were more anxious to maintain trade concessions in their former colonies and were not as concerned with relations with other regions of Africa. However, the Dutch position on this point was adamant and the result was a special declaration stipulating that associate status would be offered to all other African states.

After nearly two years of negotiations a compromise agreement was signed in June 1963 in Yaounde, Cameroon, which granted the Africans tariff preferences, but no extensive system of export subsidies or encompassing stabilization funds. Aid was increased and the EEC countries retained their privilege to establish trade agreements with other third world countries.[16]

The Yaounde Convention[17] continued and broadened many of the provisions established for the African countries in 1958. As with the Treaty of Rome, the principal provisions of the Convention of Association centered around four main areas:

1. Trade Expansion: Trade provisions under the Treaty of Rome were expanded. The African countries were to abolish their tariffs on commodities from the Six according to an agreed timetable, and were to enlarge quotas on imports from the Six. Certain tropical products exported by the associated states were to be admitted into the Community entirely duty-free and the Community applied a Common External Tariff to like products of non-member countries. Also, the French system of export subsidies — the Surprix — which held the prices of key export commodities of the colonies above world market prices, was phased out.

2. Rights of Establishment: The Six were granted the right of establishment vis-a-vis their associates in the Treaty of Rome. Nations and companies of the Six were entitled to invest in and to establish commercial enterprises in the Eighteen on the same basis as nationals and companies of the former colonial power. These rights also provided that the movement of capital, services and payments in connection with investment by the Six in the Eighteen was to be as liberal and non-discriminatory as possible. Article 29 of the new agreements stated

> "...in each Associated State nationals in companies of every member state shall be placed on an equal footing as regards the rights of services, progressively and not later than three years after the entry into force of this Convention."

3. The European Development Fund: The fund, which was established to promote economic and social development, was enlarged to $730 million, to be distributed over the period from 1964 to 1969.[18]

4. <u>New Institutions:</u> A number of new institutions were formed to deal with the relations between the EEC and the Eighteen African states. A Council of Association, a parliamentary Conference of Association, and a Court of Arbitration were established.

From the African point of view, the trade and aid provisions were the most important features of the new Convention, owing to their structural dependence on foreign trade. The trade provisions of the association were aimed at the eventual creation of free trade areas between the EEC and the associated countries. By 1964, EEC members had abolished the tariff and quota restrictions which had applied to some of their imports from the Associated African Countries. Concurrently, they applied *restrictions* to the imports of many primary products from non-associated countries. For their part the Associated African Countries adopted a tariff structure which, by eliminating customs duties on EEC imports while retaining them in the case of imports from other countries, favored the EEC. In addition, quantitative restrictions on most imports originating in the EEC were eliminated while quotas were still applied to imports from third countries. Consequently, the new association agreement which began in 1964, and ran — with minor changes — through 1975 was a mutual trade preference network, forming a free trade area with a common external tariff.

Compared to the previous bilateral arrangements between the former European metropoles and their colonies, the association provided a lower degree of preference to a few AAC exports in some countries of the EEC. However, access to the larger market of the full European Community in

contrast to the small individual markets of some EEC members was an advantage.

By and large the Yaounde Conventions appeared and functioned very much like the association under the Treaty of Rome. Although the French Surprix System was phased out, the Africans retained preferential access to the EEC market for their tropical exports. This advantage was granted the AAC at the expense of other African and Latin American exporters of competitive tropical products.

The Second Yaounde Convention

Both the EEC and AAC nations agreed that the accord would be continued. The first Yaounde Convention was to expire on May 31, 1969. However, due to extended negotiations for the second agreement, Yaounde I was actually in force until the end of 1969. The new Convention was signed in Yaounde, Cameroon, on July 29, 1969 and went into effect in January 1970 for five years.

Despite the somewhat disappointing results of some aspects of the first Yaounde agreement, the Africans had no other option but to renegotiate. While the trade flows had increased between the two regions, the exports of some non-associated developing nations increased in percentage terms more rapidly than those of the Yaounde group. Nevertheless, the trade preferences offered under the EEC arrangement were, it was felt, better than no preferences at all. This attitude was compounded by the fact that in the interim between the signing of the first agreement in 1964 and its renegotiation, several other competing

African nations including Nigeria, Kenya, Tanzania and Uganda, had begun discussions with the EEC for special trade relations. If the Yaounde nations had chosen not to renew the Yaounde treaty or had taken an exceedingly hard line regarding preferences or aid stipulations, they might have found themselves with no trade preferences at all. Clearly, their bargaining position was considerably weakened.[19]

During the second round of negotiations the Africans exhibited improved skills in bargaining led by the spokesman for the Eighteen, Konan Bedie, the Ivory Coast Finance Minister. They pushed for concessions in two main areas -- price supports for tropical products and increased aid.[20] The first Yaounde Convention had done away with the French surprix (the price guarantees) and the Eighteen repeatedly asked for some form of supports or guaranteed returns on tropical products. The Africans also demanded that the European Development Fund be increased to $1,500 million (from $800 million), that more emphasis be put on industrialization projects, and that funds be given to local contractors rather than being funneled through Europe.[21] In addition, the Yaounde group wanted to maintain the preferential trade network that protected their exports under the EEC's Common External Tariff (CET).

In these negotiations the Dutch and the Germans were again the main group among the Europeans opposing existing Yaounde tenets. They pressed for reductions in the preferences granted to the Yaounde group and no increase in aid. By contrast, the French position strongly favored continued trade advantages for the Eighteen and increased aid. The Belgians tended to go along with the French position and the Italians remained fairly neutral and mediated between the two

sides.[22]

The Second Yaounde Convention, born of these differences, was very similar to the first agreement but the results did favor the European position over the African. The general principles of the first accord were continued with some minor modifications. In fact, twenty-seven of the sixty-four articles in Yaounde I were left unchanged. The rights of ownership clause remained intact and almost all of the provisions concerning institutions and procedures were retained.[23] It was in the areas of trade and aid provisions that the adjustments were made.

While the free trade zone remained essentially intact, the common external tariff protecting three key associated African exports — coffee, cocoa, and palm oil — was lowered slightly. Further, free trade area stipulations, through a special protocol, were modified to allow the African Eighteen to participate in a possible system of generalized preferences.[24]

Yaounde II increased the European Development Fund aid program to \$918 million from its previous total of \$800 million. The \$918 million in aid was comprised of \$748 million in grants to the Yaounde group, \$80 million in special loans, and \$90 million in European Investment Bank Loans (compared with the Yaounde I EDF figures of \$620 million, \$46 million and \$64 million respectively).[25]

There were several other slight modifications which distinguish Yaounde I and II. An increased emphasis was placed on regional economic unions among the Eighteen and/or with third party African countries.

The European Development Fund was to give priority to production and industrialization projects and local enterprises were to be given preferences in bidding for EDF projects. Further, the African states were asked to put more effort into coordinating their requests for aid within their own development programs taking over projects launched by European aid.[26]

EEC Trade Agreements with Other Less Developed Areas

In the early sixties, almost all of the nations of Africa gained political independence. Since the Common Market countries traded with all of these nations — albeit to greater and lesser extents — there was pressure from within the Community to adopt a common policy toward all potential associates.

Complicating the situation, during negotiations for the Yaounde I Convention the Eighteen African states had pressed the EEC to adopt policies which would ensure their trade advantages and exclude competing African states from the same preferential treatment. However, one of the stipulations for the Dutch signing of the Yaounde Treaty was that the EEC issue a Statement of Intention not limiting association to the Yaounde group. The Declaration of Intention was issued by the EEC Council of Ministers in April 1963 and offered three options to non-associated African states: 1) accession to the Yaounde association, 2) negotiation of a new reciprocal association agreement, or 3) negotiation of non-discriminatory commercial agreements.[27]

In 1962 Commonwealth Africa[28] had turned down an offer of association. This association was negotiated by Britain as part of an agreement whereby Britain hoped to join the EEC. The key country in the negative decision was Nigeria, since the East African heads of state were divided. Ghana, under Nkrumah's leadership, had been and remained hostile, viewing the Association as "a new system of collective colonialism which will be stronger and more dangerous than all the evils we are striving to liquidate."[29]

Traditionally, Commonwealth Africa had been more suspicious of European motives and less acquiescent to European policy initiatives than the Francophone group. Their initial rejection of association came from a mixture of motives, the most important of which was suspicion of European political objectives.[30] Nigeria and East African leaders saw short-term advantages for their countries' trade in association balanced by fears of longer-term inhibitive effects on industrialization. However, the decisive consideration was suspicion that association meant political and military alignment with continental Europe.[31]

Nevertheless, by 1963, scarcely a year after their initial rejection of association, both Nigeria and the eastern African Commonwealth states had requested negotiations toward association. A number of events seem to have caused reconsideration of a link-up with the EEC. The signing of the Yaounde Convention made it clear to the other African groups that some agreement protecting their trade with EEC was necessary. Also, competitive exports from the Yaounde associates had risen in volume during their association. It became evident that if East and West Commonwealth Africa were to maintain trade outlets against

protected competition, they would have to accede to some form of association.[32] Since the EEC Declaration of Intention contained no political stipulations their fears of being manipulated by the EEC were somewhat reduced. Accordingly, East and West Commonwealth Africa requested negotiations for association with the Community.

EEC Agreements with Commonwealth African States

The Nigerian-EEC agreement was a pure trade accord; there were no aid stipulations in the agreement which was signed on July 8, 1965 in Lagos, Nigeria. This convention established a modified free trade area between the Six and Nigeria. It granted Nigerian products free entry to the Common Market at the EEC internal tariff rates (i.e., lower than rates applied to third parties) with the exception of the four exports -- ground nut oil, palm oil, cocoa beans and plywood. Nigeria, in reciprocity, accorded marginal tariff preferences between 2% and 10% to 26 EEC products.[33]

The Lagos agreement was significant in that it was much looser than Yaounde, and it served as a precedent for other African states seeking association with the EEC. The Nigerian Minister of Finance indicated the spirit of the agreement when he stated that, "We want trade relations with a minimum of institutional links." However, the Lagos agreement, due to go into effect in 1966, was never ratified. Political disputes between the EEC and Nigeria delayed ratification of the Treaty; the Nigerian Civil War and governmental changes further delayed its implementation.

Following the example of the Lagos Convention, three East African nations, Kenya, Tanzania and Uganda, negotiated a preferential trade agreement. However, the negotiation proceedings were longer and more difficult than those of the Yaounde and Nigerian agreements.[34] Finally, on September 24, 1969 the Arusha agreement was signed and ran concurrently with Yaounde II from 1970 to 1975.

The Arusha agreement specified that intra-Community arrangements, i.e., tariff preferences existing within the Community, would apply to most exports from the East African states to the Community. However, the Six imposed quotas on exports of coffee, cloves and tinned pineapples by the Arusha group, since these exports competed with those of the Yaounde group.[35] In return, the East Africans removed all customs duties and quantitative restrictions on certain imports from the Six. Consequently, the EEC enjoyed tariff concessions in some sixty products at rates varying from 2% to 9%.[36]

By 1970 the Europeans had thus established special trade arrangements with the 18 Yaounde countries and the Arusha countries of East Africa. Although the two developing country groupings both received trade preferences, the Yaounde group's access to the EEC markets was by far the most preferential, approaching a true free trade area. Thus it would be expected that Yaounde exports to the EEC would have outperformed the Arusha grouping, Ghana and Angola, also competitors, as well as Latin American exporters of tropical products. Also, the reverse preferences granted the Europeans in Yaounde markets should have helped maintain EEC hegemony in those markets.

In the following section we ascertain whether or not the Yaounde agreement had a statistically significant impact on trade.[37] In order to test this hypothesis, the market shares of each grouping and the relevant ratios vis-a-vis other groups were constructed. A standard t-test procedure was utilized and the conclusions drawn at the 99% confidence level.[38] A summary of the numerical analysis and statistical findings follows.

Numerical Analysis of EEC-LDC Trade During the Yaounde Period

1) AAC Exports to the EEC

AAC exports expanded at an average annual rate of 13% between 1964 and 1975 (see Table I-4). Exports to the EEC also increased steadily throughout the period at a rate of 11%. However, examination of the absolute export shares indicates that the EEC importance declined. Whereas in 1964, the European Community purchased 66.6% of AAC exports, by 1975 their share had declined to 55%. During the Yaounde I period, AAC's shipped an average of 66.3% of their exports to the EEC but during Yaounde II the average was only 60.1%. The French share of EEC exports declined from one-third in 1964 to one-quarter in 1975, while the non-French EEC share remained fairly constant, averaging a little over one-third throughout both Conventions. Accordingly, the non-EEC countries increased their share of AAC exports.

Table I-4

REGIONAL DISTRIBUTION OF AAC EXPORTS, 1964-1975
(Percentage Distribution)

Year	Total AAC Exports	Share of EEC Countries: All EEC	France	Other EEC	Share of Non-EEC Countries
1964	100.0	66.6	34.3	32.4	33.4
1965	100.0	67.2	32.8	34.4	32.8
1966	100.0	67.9	30.7	37.2	32.1
1967	100.0	66.4	30.1	36.3	33.6
1968	100.0	66.6	27.8	38.8	33.4
1969	100.0	63.1	25.8	37.3	36.9
Average 1964-1969		66.3	30.3	36.1	33.7
1970	100.0	61.2	29.5	36.2	38.8
1971	100.0	60.4	25.6	34.7	39.6
1972	100.0	60.2	26.7	33.5	39.8
1973	100.0	61.2	22.4	38.8	38.8
1974	100.0	62.7	24.5	38.3	37.3
1975	100.0	55.0	24.0	30.7	45.0
Average 1970-1975		60.1	25.5	35.4	39.9

Data in this table constructed from: International Monetary Fund, Directions of Trade, Annual Editions, 1964-1976

In broader historic perspective, the Yaounde group seems to have steadily lost ground in their trade position with the EEC since they were colonies, despite their trade preferences. During the colonial period their exports to the EEC were 71.9% of total exports. This share declined slightly to 71.3% during the association under the Treaty of Rome and declined, as noted, to 66.3% during the first Yaounde agreement, and 60.1% during the second. This outcome is particularly surprising since AAC exports expanded annually at a rate of 13% between 1964 and 1975, and the largest increases took place in markets where

they received no trade preferences.

It appears that the African association with the EEC and the Yaounde agreement in particular did not have a positive impact on AAC's export performance vis-a-vis the *Common Market*.

These trends in African exports with respect to the EEC are contrary to the hypothesis that the preferential trade area would increase the EEC importance in African export trade. It was expected that a rise in the EEC's share would occur since the exports of associated countries had relatively free access to the EEC market compared to their exports to other industrialized countries. The EEC's shrinking share is partially explained by the declining French portion of AAC exports. Also, the increase in the share of non-EEC countries in AAC exports can be attributed partly to the increased importance of the United States as a market for imports of cocoa and coffee, two major AAC exports.

2) AAC Export Patterns in Comparison with Other LDC's

In order to accurately evaluate AAC export performance as regards the EEC, it is essential to look at the trade evolution of other LDCs, particularly African competitors, with the European grouping. Other third world countries were exporting products similar to those of the Yaounde group and hence provide a barometer against which EEC trade developments can be measured.

Since the Yaounde African countries have special trade preferences with the EEC, it would be expected that — ceteris paribus — EEC-AAC trade would expand more rapidly than EEC trade with other developing countries and the share of the EEC market controlled by the AAC's would tend to rise at the expense of competing areas.

Theoretically, the association should have caused the AAC to increase their share of exports to the European Economic Community with respect to other LDCs. Table I-5 shows the percentage distribution of exports from various groupings of less-developed nations to the EEC. Total African exports to the EEC declined in importance in comparison to other LDC-EEC trade. Similarly, the share of associated African exports declined consistently from 10.0% in 1964 to 5.8% in 1975. Closer examination of the years of the two Yaounde agreements indicates that the decline in the AAC share took place most dramatically during the first Convention, dropping from 10.0% in 1964 to 6.9% in 1969. The AAC share fell a little further in 1971 to 5.3% but began rising thereafter. This meagre recovery can not hide over 20 years of consistent decline in AAC exports to the EEC. During the Treaty of Rome association the AAC share of EEC imports from LDCs had been 12%, already down from the 14% in the pre-association period from 1953 to 1958.

Table I-5

REGIONAL* SHARES IN LDC EXPORTS TO THE EEC, 1964-1975
(Percentage Distribution)

Year	All LDCs	Total Africa	AAC	North Africa	Com-peting Africa	Other Africa	Latin Amer.	Asia	Mid. East
1964	100.0	37.8	10.0	14.2	4.9	8.9	24.5	11.0	24.7
1965	100.0	37.5	9.0	13.3	4.9	10.3	24.4	10.9	25.0
1966	100.0	39.0	9.8	14.8	4.3	10.0	23.6	11.0	24.1
1967	100.0	38.5	9.5	18.0	3.9	7.1	23.2	9.9	26.1
1968	100.0	39.5	10.2	20.9	6.8	1.6	20.5	9.5	27.0
1969	100.0	38.2	6.9	15.1	5.5	10.7	17.3	12.6	24.6
1970	100.0	38.4	6.5	14.9	6.4	10.6	20.0	12.4	25.3
1971	100.0	33.4	5.3	13.1	6.7	8.3	17.5	12.5	32.2
1972	100.0	32.1	5.5	11.1	6.8	8.6	17.4	13.2	33.4
1973	100.0	30.5	5.9	11.4	5.7	7.4	17.2	14.7	33.7
1974	100.0	33.0	6.6	14.9	7.5	3.4	12.5	8.5	45.5
1975	100.0	28.0	5.8	12.7	6.2	3.0	13.1	10.2	47.9

* See Table I-3 for exact definition of regions.

Data in this Table constructed from: International Monetary Fund, Directions of Trade, 1964-1976.

The comparison of AAC export performance to the EEC with regard to all LDCs since the colonial period provides something of a yardstick with which to measure the Yaounde Convention results. However, the LDC grouping is by no means homogeneous. It includes oil exporters in sub-Saharan Africa, in North Africa and in the Middle East. Most of these nations are members of OPEC and have shared in OPEC's burgeoning revenues caused by the tremendous increases in oil prices.

In any case, the AAC lost ground to other LDCs during the Yaounde period. Disaggregating the LDC grouping helps to explain the apparent decline. The Middle Eastern group nearly doubled its exports to the EEC during the Yaounde period because of the increase in petroleum prices and the expanded use of petroleum. Of course, this region comprises the

major oil exporting countries among the less-developed countries and, as such, is not directly competitive with the Yaounde countries.

The Latin-American countries (e.g., Brazil, Columbia, El Salvador, Guatemala, Ecuador, Honduras and Argentina) are all important exporters to the EEC of coffee and of other competing tropical exports such as bananas, ground nuts, oil and cotton. Their exports appear to have suffered from the lack of preferences since they declined during the Yaounde period.

The Asian countries were also able to gain a larger share of the EEC market from 11.0% in 1964 to a high of 14.7% in 1973. However, the Asian group's importance declined in the last two Yaounde years.

Most important with respect to this analysis are the competing African countries — Nigeria, Kenya, Tanzania, Uganda, Angola and Ghana. These countries export products which are similar to those of the AAC and, given their geographic locations, face transportation costs similar to those of the Yaounde group. As indicated in Table I-5, the competing African countries' share of the EEC market increased moderately from 1964 to 1975.

The Arusha countries (Kenya, Tanzania and Uganda) are among the major Yaounde competitors. These countries had no special trade arrangements with the EEC until 1970 when the Arusha agreement, a limited trade arrangement, went into effect. The Arusha countries' exports to the EEC were favorably influenced by these trade preferences. While from 1964 to 1969 the East African exports to the EEC had actually

declined, between 1970 and 1975 they rose at an average annual rate of about 18% (see Table I-6).

Table I-6

COMPETING AFRICAN COUNTRIES' TRADE WITH THE EEC
(Millions of $)

Year	East African* Exports to EEC	Angolan and Ghanan Exports to EEC	Nigerian Exports to EEC
1953	$ 48.3 mill.	$ 64.0 mill.	$ 19.8 mill.
1954	60.4	111.3	58.5
1955	68.5	96.0	61.8
1956	83.1	107.2	90.1
1957	81.0	107.2	90.1
1958	76.2	130.9	114.4
1959	82.8	140.6	153.3
1960	101.8	147.0	139.4
1961	103.9	134.4	139.4
1962	88.7	126.1	162.5
1963	120.2	139.8	159.7
1964	128.2	151.6	215.4
1965	103.4	140.2	270.5
1966	108.9	108.0	280.7
1967	106.0	97.8	269.2
1968	92.1	134.9	212.5
1969	90.1	162.0	318.6
1970	90.9	195.5	460.3
1971	95.4	142.7	700.4
1972	144.9	171.6	815.0
1973	196.9	229.4	1,139.8
1974	240.6	321.9	3,041.0
1975	213.2	250.1	2,475.3

* Kenya, Tanzania and Uganda

Data in this table constructed from: International Monetary Fund, Directions of Trade, Annual Editions, 1953-1976.

Nigerian trade with the EEC expanded significantly during the Yaounde period and, in fact, tripled between 1972 and 1975 due to higher oil prices. This expansion explains why the competing African countries' share in the EEC market increased during Yaounde II as indicated in Table I-5.

Angola and Ghana had no special trade arrangements with the EEC during the period under study. Their trade with the Common Market expanded at an average rate of about 5.0% between 1964 and 1975.

3) Imports of AAC Countries

The Yaounde group's imports increased at an average annual rate of 15% between 1964 and 1975, while their imports from the EEC grew at a 14% rate (see Table I-7). However, the EEC share in total AAC imports declined in absolute terms from an average of 63.2% to 59.5% between the first and the second Yaounde treaties. Imports of French products showed the most marked decline, decreasing steadily from 42% in 1964 to 36.2% by 1975. Non-EEC countries with no formal trade links with the AAC's increased their share of African imports from an average of 36.9% to 40.5% between Yaounde I and II.

Table I-7

REGIONAL DISTRIBUTION OF AAC IMPORTS, 1964-1975
(Percentage Distribution)

		Share of EEC Countries			Share of
	Total AAC				Non-EEC
Year	Exports	All EEC	France	Other EEC	Countries
1964	100.0	63.2	44.9	18.2	36.8
1965	100.0	62.9	43.5	19.4	37.2
1966	100.0	63.6	43.1	20.5	36.4
1967	100.0	65.2	44.6	20.6	34.8
1968	100.0	64.0	40.3	23.7	36.0
1969	100.0	60.1	35.8	24.4	39.9
Average	1964-1969	30.2	42.0	21.1	36.9
1970	100.0	62.6	37.0	25.6	37.4
1971	100.0	60.4	36.3	24.0	39.7
1972	100.0	62.6	39.0	23.6	37.4
1973	100.0	59.1	36.3	22.9	40.9
1974	100.0	54.2	31.4	22.8	45.8
1975	100.0	58.0	37.0	21.1	42.0
Average	1970-1975	59.5	36.2	23.3	40.5

Data in this table constructed from International Monetary Fund, Directions of Trade, Annual Editions, 1964-1976.

During the later colonial period the Europeans supplied about 66% of AAC imports, the French alone accounting for 46%. Under the Treaty of Rome Association, the EEC maintained their predominant role in AAC imports averaging 68%, with the French supplying 51.5%. With the initiation of the Yaounde treaties, granting the Europeans greater trade preferences than under the previous arrangements the EEC position as AAC import supplier actually declined.

Results of Statistical Tests

The Yaounde trade preferences appear not to have helped the AAC group to gain a larger share of EEC-LDC trade. In fact, its trade declined. These results are not surprising given the changing nature of petroleum and its importance in the world economy and given that a number of OPEC members are in the LDC category.

However, it appears from this analysis that, while the AAC's major African competitors did expand their trade with the EEC, the Yaounde Convention tariffs were effective in maintaining AAC markets in the EEC against these competitors.

The East African nations appear to have made trade gains through the trade preference granted under the Arusha accord, but they were not able to significantly affect the Yaounde countries' trade with the EEC. There was no statistically significant difference in the performance of the two groups between the Colonial period and the Treaty of Rome, or between Yaounde I and these two periods, nor was there a significant difference between Yaounde I and Yaounde II. The only statistically significant difference in trade shares was recorded between Yaounde II and the Treaty of Rome. In this case the ratios during Yaounde II were higher, indicating that the Yaounde groups' trade with the EEC was increasing with regard to East Africa. These results are noteworthy, especially since Yaounde II ran concurrently with the Arusha trade accord.

While the trade of the West African states of Angola and Ghana expanded moderately with the EEC throughout the period, this increase was not sufficient to significantly affect the Yaounde share of the EEC market. Again, there was no statistically significant difference in the early periods studied. Only when the entire Yaounde Convention period is compared to the Treaty of Rome did AAC trade with the Common Market expand at the expense of Angola and Ghana.

On the import side, the Yaounde accord did not significantly change the EEC position as an AAC import supplier. It was found that there was no statistically significant difference between the EEC performance in Yaounde import markets and that of the rest of the world, except when Yaounde II is compared to either the Colonial period or the Treaty of Rome: there, a decline for the EEC is recorded. This decline is maintained when the entire Yaounde Convention is compared to the Treaty of Rome, but disappears again when measured against the Colonial period. It appears that the European countries were able to expand their share of AAC imports during the initial phase of association, but recorded a decline thereafter.

Only in the early phases under study did France maintain her position as an import supplier in the AAC markets against non-EEC competitors. There was a statistically significant erosion of the French position against non-EEC countries during the Yaounde period, as compared to either the Treaty of Rome or the colonial period. When compared to that of other EEC countries, France's position appears to have suffered some losses throughout Yaounde.

The European Development Fund (EDF) Under the Yaounde Convention

The Yaounde Convention increased funding for the European Development Fund (EDF) that had been established under the Treaty of Rome. The Fund's purpose was to promote economic and social development in the African associates by supplementing the efforts of the authorities of the countries.[39] Beginning in 1958, under the Treaty of Rome, the EDF channeled the financial resources made available by the EEC to all African associated countries. It was expanded to $800 million under Yaounde I and $1,000 million under Yaounde II.[40]

Structure of the European Development Fund

The European Development Fund under the Yaounde treaties supplemented the development efforts of the associated countries by financing investments aimed at increasing production and bettering infrastructure, and social investments designed to improve school and hospital facilities. In addition, social services and housing assistance were also financed by the EDF In general, projects have been proposed by the authorities of the Associated African Countries; any project proposal which originated from the EEC had to be approved by the governments of the associated countries. The EDF could not finance projects which competed with the initiatives of the private sector in the Yaounde countries or which tended to replace them further, and it did not provide budgetary subsidies.

Projects were required to easily fit into the whole development program of the associated country and could also be linked to other

sources of financing. Evaluation was based on the urgency and the potential value of the project in the recipient country. In the commitment of funds, the EEC made no a-priori allocation of the total aid that would be granted to each associated country. However, it was stipulated that total expenditures in each country should be related to its population, its stage of development, other available financing sources and the capital absorption capacity of its economy.[41]

EDF financial involvement in a project could mean total financing or only part of it. It could also finance a project in conjunction with other aid-giving organizations and with governments. The financing was carried out in one of two ways. Either the local currency of the recipient country could be used, or the currency of one of the members of the European Community.

For the Francophone states, the aid was disbursed through the French "Caisse Centrale de Cooperation Economique" (CCEE). The amount of financing required for each project was decided by the EEC Commission after approval from an EDF Committee. A Financing Convention laid down the conditions for carrying out the project, as well as the obligations of the beneficiary and those of the EEC Commission in doing so. Once the Financing Convention was signed, the associated country then took charge of carrying out the project by inviting tenders, evaluating them and signing the contract. However, EDF funds could only be spent in the European Community countries.

Of the total amount contributed by the EEC states under Yaounde I to all associated countries ($800 million), $730 million was in grants

and $70 million in the form of European Investment Bank (EIB) loans. Under Yaounde II EDF, a total of $1000 million was contributed, of which $900 million was made available in grants and $100 million through the European Investment Bank. The EIB contributions to the development funds were made available to the associated countries in standard loan agreements. The rates of interest were those normally charged by the EIB, with a period of amortization of up to twenty-five years, depending on the economic characteristics of the projects and the capacity of the country to bear the debt. The European Development Fund could also subsidize interest payments on EIB loans up to 3%, to make the interest burden less heavy.

Sectoral Allocation and Distribution of the EDF

The Associated African Countries were and still are at low levels of economic development. As a result, the priorities in their development policies and the nature of financial aid, help to explain the huge commitment of funds to developing the infrastructure and the relative neglect of the industrial sector which Table I-8 reflects. Only about 6% of both funds were devoted to industrialization. Infrastructure development, on the other hand, such as rural promotion, transportation and communication, water engineering and urban infrastructure, comprised 76% of the monies in the first fund and about 70% in the second fund. Social projects, such as education, training and health, appear to have had lower priority in both funds, absorbing only 13.9% and 9.1% of the monies.

Table I-8

EDF SECTORAL OPERATIONS, 1964-1975

Sector	Yaounde I EDF Allocated	Yaounde II EDF Allocated
Industrialization	5.6 %	6.2 %
Tourism	-	0.2
Rural Promotion	37.2	27.1
Trade Promotion	0.2	0.8
Transport, Communication	32.3	36.3
Education, Training	9.8	11.3
Health	4.1	3.2
Water Engineering, Urban Infrastructure	6.9	6.0
Exceptional Aids	0.1	3.6
Miscellaneous	3.8	5.3
Total Decisions	100.0	100.0

Source: European Community Information Document.

EDF Assistance to Associated African Countries

Under the Yaounde agreement, EDF allocations to the Francophone states were about 78% of the total grants extended to the African associates. This result could be expected since most of the Yaounde countries were ex-French colonies. The major beneficiaries among all of the AACs were Ivory Coast, Senegal, Cameroon, Madagascar and Zaire. Taken together, these five countries received half of the total commitments to the eighteen African Associated Countries. These countries are among the better off in terms of income per capita; of the remaining thirteen, the poorest AACs received the rest of the EDF funds.

Events Leading to the Lome Convention

In 1972, the Treaty of Accession was signed, joining Great Britain to the European Community. The 20 independent Commonwealth[42] states were offered three possible forms of relationship with the EEC, delineated in Protocol 22 of the Treaty of Accession. These possibilities applied to the Yaounde countries as well and were later extended to the previously non-associated states of Ethiopia, Liberia, Equatorial Guinea and Sudan, as well as Tunisia and Morocco, Libya, Algeria and Egypt. The first option was accession to a Yaounde-type agreement. The second option called for "one or more special Conventions of Association" which would, as with Arusha, comprise "reciprocal rights and obligations, particularly in the field of trade." The third option was a simple trade agreement "with a view to facilitating and developing trade between the Community and those countries".[43] Each country was asked to respond by January 1973 to the Community offer with a statement of the option it had chosen so that negotiations could begin in August of that year.

The eighteen Yaounde countries initially responded by choosing the first form of association, to which they were of course already party. They firmly reiterated that, given their close economic relations with Europe and the benefits received under association, they chose to base their development plans on cooperation with the EEC rather than seek success through the United Nations or Pan-Africanist approach.[44]

As the negotiations for Yaounde III approached, the Yaounde countries became increasingly concerned that their privileged position

vis-a-vis the EEC would be eroded if other African states of similar economic structure and with similar exports gained access to association. They were not only worried about the "erosion of the preferences"[45] on tropical exports of which they were major exporters, they also felt threatened by the generalized preferences system (GSP) instituted in 1971 because it benefited rival countries and thus hampered their own chances of industrialization.[46] As has been previously discussed, the concern of the Yaounde countries over the erosion of preferences was justified in that competing African countries did make inroads in exports of their tropical products to the EEC. However, their concern over the GSP was perhaps premature, since the percentage of their exports covered by the scheme — about 5.0% — was negligible.

While the Yaounde countries had complained long and bitterly that the margin of preference[47] they received in Europe was too small to be effective, they vied for maintaining and improving the preferential trade system. The requirement of granting the EEC reverse preferences in African markets was accepted by the Yaounde leadership as a form of concession to the EEC or payment for EDF aid. Not granting the European reverse preferences would be tantamount to asking for "a handout".[48] Leopold Senghor of Senegal told the EEC Commission that reverse preferences provided a "moral base for association."[49]

Similarly the Eighteen had been consistently critical of EDF aid procedure and found the amount of money indadequate, they were concerned about sharing what funds they had. Fears were expressed that if the Yaounde agreement were extended to other African countries, there would

be less aid for them, since others would be allowed to draw on EDF funds.[50]

The associated group also reiterated their oft heard request for a scheme for export price stabilization. They maintained that their vulnerability to export price fluctuations caused by world market price changes hampered their development. Accordingly, they requested guarantees for prices of crucial raw materials, thereby stabilizing export earnings between themselves and the EEC at a satisfactorily remunerative level.[51]

The reaction of the Commonwealth African countries to the EEC's three-runged hierarchical offer was sharply critical. They claimed that the economic advantages offered by the Yaounde-type arrangement were designed to induce them to accept certain conditions which they regarded as inconsistent with their economic underdevelopment and political independence.[52] Their attack was manifold.

In the field of trade, the main objection was to the requirement of granting reverse preferences, which stemmed from the concept of association as a free trade area between the Community and the associates. The Yaounde countries had been required to grant reverse preferences and the East African Community and Nigeria also granted a significant number of tariff preferences to the Community, in order to conclude their association agreements.[53] Nigeria, whose trade agreement with the EEC had never gone into force, was highly critical of the reverse preference requirement and was the first country to reject it in preparation for the Lome talks.[54] Reverse preferences were also

criticized as inconsistent with the principle -- generally recognized in Part IV of the General Agreement on Tariffs and Trade -- that the developed countries not expect reciprocity in trade negotiations with less-developed countries. Further, they argued that reverse preferences prevented them from buying in the cheapest foreign export markets.[55]

In the realm of aid, the Commonwealth countries took exception to the policy of linking aid from the European Development Fund with what they saw as the political condition of acceptance of the Yaounde model; they also rejected the requirement under Article 22 of the Yaounde Convention to "inform the Commission... of their development plans and programs" and to "communicate any later amendments". These requirements, they felt, were an infringement on the associates' political sovereignty.[56] The Commonwealth countries had still further criticism of Yaounde. They claimed that the Yaounde provisions regarding the right of establishment and the movement of capital imposed too much external restriction on the associates. The institutions of the association -- Ministerial Council, Official Committee, Parliamentary Conference, and Court of Arbitration -- were seen as political conditions whose effect, given the disparity of economic and political power between the Community and the associates, was to reduce the associates' independence.[57]

In addition to these specific criticisms, there were objections of form rather than substance. The particular objections reflected a deep unease about the Yaounde Convention on the part of many of the African countries. Their view was that "it is a political and psychological problem ... to accept an institutional structure which was conceived and

created under the specific terms of cooperation between France and Africa at a time when the colonial era was drawing to a close."[58] Yaounde was considered "a kind of colonial anachronism," which had helped to perpetuate the division of Africa originally imposed by the imperial powers, particularly Britain and France.[59]

The European Commission had asked that the Africans respond by January 1973, by stating which of the three options they chose. The Commonwealth African countries refused all three possibilities and instead began organizing among themselves to push for a new type of economic pact.

For the following few months political maneuvering took place between the Yaounde and Commonwealth groups, the OAU and the UN Economic Commission for Africa. The result was the formation of the "African, Caribbean Pacific" group (ACP) composed of Francophone and Anglophone Africa, Ethiopia, Liberia and Sudan and the Pacific and Caribbean countries, formerly French and British Territories. The ACP negotiated as a block during the Lome I talks, a first venture in "Trade Unions of the Poor."

At the opening conference of future relations between the EEC and the ACP in Brussels on July 25 and 26, 1973, Mr. Weinkle Briggs, Nigerian Commissioner of Trade, speaking for the ACP, expressed a desire to negotiate "a new relationship with the EEC on the basis of a number of principles jointly accepted by all African countries".[60]

These eight principles were:

1. Non-reciprocity in trade and tariff concessions.
2. The extension toward third countries, on a non-discriminatory basis, of the provisions on the rights of establishment.
3. Revision of the rules of origin so as to facilitate the industrial integration of African countries.
4. Revision of the provisions on the movement of payments and capital to take account of the objective of monetary independence in African countries and their need for monetary cooperation.
5. The disassociation of EEC financial and technical aid from any particular form of relationship with the EEC.
6. Free and assured access to EEC markets for all African products, whether or not they were subject to the Common Agricultural Policy of the EEC.
7. The guaranteeing to African countries of stable, equitable and remunerative prices in EEC markets for their main products in order to allow them to increase their export earnings.
8. No adverse effect on intra-African cooperation.

Regarding institutional link-ups with the EEC, the Africans stated briefly that "it is the type of agreement negotiated that would determine the institutional set-up" and that they would like to participate "actively in the management and administration of the European Development Fund."[61]

This is not to say that divisions and schisms within the ACP did not persist throughout the eighteen months of negotiations. Many of the Francophone states continued to favor reverse preferences, saying that Africans should not be asking favors from Europe. The Senegalese

President, Senghor, persisted in maintaining that "Africa needed reverse preferences to maintain integrity."[62]

Nevertheless, the key principle of putting the negotiations on a unified independent African basis, and not just making them a system for accommodating ex-colonies, was a marked departure from earlier Yaounde talks. Furthermore, the eight principles initially set out by the ACP dominated the negotiations.

The emergence of the ACP group as a permanent and autonomous force characterized the novelty of the Lome negotiations as compared to earlier talks.[63] During the Yaounde negotiations the African states only met within the context of the institutions of their Conventions -- their Ministers never met on their own and OCAM (The Francophone African regional economic organization.) did not provide the unifying force that the ACP was able to provide.[64]

European unity and strength vis-a-vis the Africans in negotiations was eroded for several reasons. The Europeans were weakened by the recurrent internal divisions of opinion as to how to deal with the Africans. Specifically, the French and German differences present during the Yaounde discussions emerged again. Also, these were the first negotiations with all nine EEC members present, instead of the original Six. The British, one of the new members, had their own specific interests to protect in the Commonwealth states.[65] However, the most important factor was that the Lome discussions took place against the backdrop of the oil crisis in Europe. The resulting rise in "producer power" in petroleum and other commodities exemplified to the

third world countries the power to be exercised by collective bargaining. The Europeans were unprepared for this turn of events that added strength to ACP unity.[66]

Throughout the negotiations, the recurrent shock waves of the trebling of oil prices in 1973 and the uncertainty over future European oil supplies made the EEC nations more vulnerable to ACP demands. This was especially true since of the ACP states that have oil, Nigeria is the world's eighth largest producer and Gabon, Congo (Brazzaville), Zaire and Trinidad control 1,300 million tons of proven oil resources.[67] Furthermore, oil companies had been exploring in the Cameroons, Dahomey, Ghana, Senegal, and Ethiopia.[68] However, the energy question for the Europeans was not limited to petroleum supplies. The oil crisis in Europe also precipitated discussions regarding increased reliance on nuclear energy. In this regard, the ACP states also looked attractive. There are significant uranium deposits throughout Central Africa, notably in Gabon, Niger, the Central African Republic and Zaire.[69] Hence, the changes in the international energy picture strengthened the ACP position especially when compared to the impotency of the Yaounde Eighteen during their confrontations with the EEC.

This is not to say that the EEC countries were not prepared for the negotiations. They had elaborate plans for a Yaounde-type agreement which included a mechanism to deal with export price instability. In fact, the EEC Commission had in its memorandum of April 1973 already sketched the outlines of a system of stabilization of export receipt for eight major export commodities of the Yaounde countries: bananas, cocoa,

coffee, cotton, copper, ground nuts, groundnut oil and sugar. The scheme was thought of as a form of compensation to the Francophone states for the phasing out of the surprix.

It should also be noted that the European countries were naturally concerned about maintaining their historic hegemony in Africa import markets, as suppliers of manufactured and consumer goods. By the same token, retaining the Africans as suppliers of raw materials was important. This was true, notwithstanding the fact that many of the primary product exports of the Africans such as palm and coconut oil and cocoa were by no means in short supply; nor were those primary products essential for European production. Nevertheless, the Europeans appear to have been anxious to secure their sources of raw materials and primary products in general. Their concern in this regard put them in a more compromising position vis-a-vis the Africans than during earlier negotiations.

The outcome of the eighteen months of negotiations was the now familiar Lome Convention, signed in Lome, Togo, on February 28, 1975. The main provisions of the Lome Convention were:

1. Duty- and quota-free access without reciprocity to the European market for goods exported from the ACP. However, there was a safeguard clause for highly sensitive goods, and a special regime for products covered by the EEC's Common Agreement Policy (CAP).

2. A stabilization fund of $450 million to compensate the ACP in the event of reductions in the receipts from the exports of their

principal basic products. This fund is known as "STABEX".

3. Financial aid for the ACP; 3,000 million EUA (European Units of Account) from the European Development Fund and 390 million UA from the European Investment Bank.

4. Industrial and technological cooperation, to reduce ACP states' disadvantages in this area to be provided by a new institution, the Center for Industrial Development (CID).

5. Joint institutions to supervise and help implement the agreement: the Council of Ministers, the Committee of Ambassadors and the Consultative Assembly.

6. An agreement in the form of a separate Protocol (Protocol #3), which provides that the EEC shall undertake to buy 1.4 million tons of sugar from ACP countries each year with a guaranteed minimum price worked out with reference to Community prices and other economic factors. The ACP countries are guaranteed a price at least equal to the price guaranteed to European producers.[70]

The Lome accord was in many respects a better deal for the Africans and opened the EDF and the new Lome institutions to the greater African and the Caribbean and Pacific states. While the ACP did not see all of their demands satisfied, Lome I was markedly different from Yaounde in several fundamental aspects. In the areas of trade cooperation, the reverse preferences requirement was dropped, and nearly all of the ACP exports (99.2% of all ACP exports which includes 96% of

agricultural exports) entered the EEC duty free. Provision was made for export price stability through the STABEX scheme. Although the STABEX fund was a modest sum for such an encompassing problem, it was a novel and important beginning for the poorer ACP countries. Lome dealt with industrial cooperation and technology transfer through a new institution, The Center for Industrial Development (CID), which, on the face of it appeared to be a somewhat stronger commitment on the part of the Europeans to assist change in the ACP states.

Finally, the EDF was expanded to 3,390 EUA which was approximately 3.7 times the amount of aid available under the second Yaounde Convention. However, given the increase in memberships, benefits on a per-country basis only doubled. Attempts were also made to improve the EDF by including provisions for greater ACP participation in its administration.[71]

REFERENCES

[1] The European Common Market is also referred to as the European Economic Community. The six members, commonly termed "The Six," are France, Germany, Italy, Belgium, Luxemburg and The Netherlands. In 1973, the EEC was expanded to include Denmark, Great Britain and Ireland.

[2] Feld, W., The European Community and The World, (Prentice-Hall, Inc., New Jersey, 1967), p. 114.

[3] Zartman, I. W., The Politics of Trade Negotiations Between Africa and the European Economic Community (Princeton University Press, New Jersey, 1971), pp. 6-13.

[4] Nielsen, W. A., The Great Powers and Africa (Praeger, New York, 1969).

[5] Nielsen, W. A., Ibid., Chapter 3, discusses various methods of French colonial control in post World War II period.

[6] Nielsen, W. A., Ibid., p. 165.

[7] The 18 associated African areas were Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.

[8] Rivkin, Africa and the Euroopean Common Market (University of Denver, Colorado, 1965), passim.

[9] Although the Treaty of Rome went into effect in 1958, many of the trade provisions did not become effective until 1959. For this reason, 1959-1963 is the Treaty of Rome period.

[10] CFA denoted "Colonies Francaises d'Afrique"; after independence of the French colonies, in 1960, it was changed to "Communaute Financiere Africaine".

[11] Van Der Lee, Jacob, "Community Economic Relations with Associated African States and Other Countries," The Annals of the American Academy of Political and Social Science, July, 1963, p. 18.

[12] Zartman, I. W., The Politics of Trade Negotiations, Chapter I.

[13] Ibid., pp. 28-29.

[14] Ibid., p. 29.

[15] Ibid., p. 30.

[16] Feld, W., The European Community and the World, pp. 116-118.

[17] For a full presentation of the Yaounde Convention, see Appendix

III.

[18] The European Development Fund (EDF) will be discussed in Chapter IV.

[19] Nielsen, W. A., op. cit., pp. 170-171.

[20] "Africa Confidential", No. 15, July 25, 1969, p. 1.

[21] Financial Times, June 4, 1969, p. 7.

[22] Zartman, W. I., "The EEC's New Deal with Africa", Africa Report, February 1970, p. 28.

[23] European Economic Community, The Association between the Community and the Associated African States and Madagascar, Balance Sheet and Outlook, July 11, 1969, p. 5.

[24] At the New Delhi UNCTAD conference held in the spring of 1968, there was broad acceptance of the "generalized preference system" for all countries in the developing world when exporting to industrial countries. This system was adopted by the EEC in 1971 in modified form, when they granted limited tariff preferences to industrial exports from all developing nations.

[25] European Economic Community, Outlook, op. cit., p. 3.

[26] Ibid., p. 7.

[27] Zartman, W. I., The Politics of Trade Negotiations, Chapter I, passim.

[28] The Commonwealth African countries were Ghana, Sierra Leone, Nigeria, Kenya, Tanzania, Uganda, and Zambia.

[29] Nye, J. S., Pan-Africanism and East African Integration, (Harvard University Press, Cambridge, Massachusetts, 1967), p. 215.

[30] Ibid, Chapter VII.

[31] Zartman, W. I., Politics of Trade Negotiations, op. cit., p. 79.

[32] Zartman, W. I., Ibid., p. 80.

[33] Okigbo, P. N. C., Africa and the Common Market, (Northwestern University Press, Evanston, 1967), pp. 130-132.

[34] Zartman, W. I., Politics of Trade Negotiations, p. 77.

[35] European Economic Community, Association between the Community and the three East African states (Kenya, Uganda and Tanzania), September 24, 1969, p. 1.

[36] Ibid, p. 3.

[37] For a full discussion of the statistical method developed for testing the Yaounde agreement see unpublished doctoral dissertation by Moss, J., "The Yaounde Conventions: 1964-1975."

[38] See Edwards, A. L., Statistical Analysis, (Rhinehart & Co., Inc., New York, 1958), pp. 130-133 and Guthrie, H. W., Statistical Methods in Economics, (Richard D. Irwin, Inc., Homewood, Ill., 1966), Chapter 17.

[39] Weil, G. L., A Handbook of the European Economic Community, (Praeger, Washington, D.C.).

[40] Discussion abstracted from EEC Commission, Fonds Europeen de Developpement pour les Pays et Territoires d'Outre-Mer: But et Fonctionnement, Brussels, 1960, Commission of the European Communities, European Development Fund, Brussels, 1974.

[41] For a full discussion of European Development Fund procedures, see Jones, D., Europe's Chosen Few, Overseas Development Institute, and EEC Commission, The European Development Fund: "From the Introduction of the Project to its Completion", 1973.

[42] The twenty independent Commonwealth countries for which Britain negotiated EEC association were the twelve African countries mentioned in Chapter VII, the Commonwealth Caribbean countries of Barbados, Guyana, Jamaica, Trinidad and Tobago, and the Commonwealth Pacific countries of Fiji, Tonga and Western Samoa.

[43] Protocol 22 of the Treaty of Accession, I.6.

[44] Africa Confidential, March 3, 1972.

[45] Commission of the European Community, Memorandum on a Community Policy on Development Cooperation, 1972, pp. 15-16.

[46] Ibid, p. 17.

[47] "EEC: Who Wants to Associate?", West Africa, No. 7, 1972, pp. 221-223.

[48] "The Market Game", West Africa, No. 2855, March 3, 1972.

[49] The Economist, March 31, 1973.

[50] West Africa, May 1973, p. 15.

[51] West Africa, May 1973, p. 16.

[52] Pinder, John, "The Community and the Developing Countries: Associates and Outsiders", Journal of Common Market Studies, Vol. XII, No. 1, September 1973, p. 53.

[53] Discussed in Chapter III.

[54] The Economist, February 24, 1973.

[55] The Economist, "Adieu Yaounde", March 3, 1973.

[56] Pinder, John, op. cit., p. 52.

[57] Ibid, pp. 56-60.

[58] Billerbeck, K., "The Negotiation on Association between the Commonwealth Caribbean and the European Community -- Problems and Approaches for Solutions", German Development Institute, Berlin, 1973, p. 62.

[59] Ibid, p. 64.

[60] Pinder, John, op. cit., p. 72.

[61] Bloom, B., "Development States Assembled for Association Talks with the EEC", Financial Times, July 26, 1973.

[62] "Something for the Poorest", The Economist, September 9, 1973.

[63] African Currents, No. 2, Summer, 1975, p. 14.

[64] Zartman, I. W., The Politics of Trade Negotiations, Chapter I, passim.

[65] J. Pinder, op. cit., p.71.

[66] The Economist, February 8, 1975, p. 58.

[67] See Petroleum and Gas Journal, September, 1974.

[68] The Economist, February 1, 1975, p. 52, and August 2, 1975, pp. 70-71.

[69] Ibid, p. 72.

[70] Lome I Dossier.

[71] Ibid, passim.

CHAPTER II

THE LOME CONVENTIONS I AND II: MAJOR PROVISIONS AND OPERATIONAL CHARACTERISTICS

This chapter will acquaint the reader with the main tenets and operational aspects of the Lome agreements. The major provisions of Lome I will be presented and the significant changes made in Lome II will be reviewed. The relevant negotiating positions of the ACP and EEC groups during the formation of the Conventions will also be highlighted. Last, parallel U.S. institutions will be reviewed.

Trade Provisions of Lome I

The trade innovations of Lome centered around 1) Adoption of the principle of nonreciprocity, 2) less restricted access to the EEC market, 3) a redefinition of the rules of origin, 4) a special protocol governing sugar, 5) special treatment for beef, rum and bananas.

1) Principle of Nonreciprocity

Lome departed from the earlier Yaounde reverse preference model by offering the ACP duty-free, quota-free access to the markets of the Nine with no requirement of reciprocal treatment in the ACP markets. The abolition of nonreciprocity had been one of the key African demands during the negotiations. These reverse preferences had also been a major source of conflict not only between some of the Yaounde countries and the EEC but also between the EEC and the United States.

Repeatedly, the U.S. expressed concern that its products were being discriminated against in the Yaounde country markets.[1] Numerous African states found the reciprocity principle unacceptable. Many felt that these reverse preferences prevented them from buying imports from the least cost supplier, entailed losses in customs revenues, hindered their industrialization, and led to discrimination against imports from other developing countries.[2] Others found reverse preferences unacceptable for political reasons charging that these preferences were neo-colonial in character.

Under the Lome Conventions, the principle of nonreciprocity applies to EEC-ACP trade, the only condition being that the ACP must apply the most favored nations clause to the EEC. However, the Community agreed that the ACP countries shall not be required to implement the most favored nation clause in respect to their trade with one another, or with other developing countries.

2) Easier Access for ACP Products in the Community Market

Practically all goods coming from the ACP countries have access to the Community market free of all customs duty or taxes of equivalent effect, and without quantitative restriction, quotas, or equivalent measures.[3] Agricultural products, directly or indirectly concerned with the Common Agricultural Policy of the EEC, experience a small levy, but get preferential access by comparison with nonassociated suppliers. At the time of the negotiations this meant that of the ACP agricultural exports to the Community, 71.9% would have entered duty-free in any case. Sugar, which falls under the Sugar protocol, accounts for the

next 22.3%. Only the remaining 5.8% would have been given a preference compared to third countries.[4] This represented an improvement over the Yaounde Convention since the EEC agreed to make some concessions for the competing agricultural products of the ACP.

Tangential to the market issue is the question of safeguard of clauses. Article 12 (1) of the Convention states:

> "If as a result of applying the provisions of this Chapter, serious disturbances occur in a sector of the economy of the Community or of one or more of its Member States, or jeopardize their external financial stability, or if difficulties arise which may result in a deterioration in a sector of the economy of the Community or of a region thereof, the Community may take, or may authorize the Member State concerned to take, safeguard measures. These measures, their duration and their methods of application shall be notified immediately to the Council of Ministers."

Although the other paragraphs of Article 12 contain commitments not to use safeguards for protectionist purposes or to hinder structural adjustment, and to restrict action to measures that will least disturb trade, there is no arbitration procedure for an aggrieved ACP partner.

3) Changes in the Rules of Origin

The rules of origin also affect ACP access to the Community. These rules are intended to enable the customs administration in the Community to identify exactly which products it can regard as having originated in the ACP and hence which products can be considered eligible for free access.

After extensive negotiations, the EEC agreed to the following:

1. The ACP countries would constitute a single customs area which would facilitate arrangements for successive processings.
2. The EEC should be willing to consider requests for temporary derogations required for purposes of industrial development in the countries concerned.
3. For a good to be considered as originating from the ACP the value of imported components must not exceed an average 50% of the value of the finished goods.

Anxious to diversify their trade away from primary products the ACP pushed for this free access to EEC markets through more liberal rules of origin to give a boost to their industrial development. However, the potential processing of components and raw materials which they hoped to initiate was severely reduced because of a limiting annex. The protocol (Annex II) contains a list of specific processes which do not confer originating status to the product produced in the ACP countries. The list is voluminous, running 23 pages and, ironically, in some cases the value added in processing must surpass the value of the components. In other cases the desired status of originating product is not given, regardless of the value added.

4) The Sugar Protocol

The Lome sugar arrangements provide for the ACP exporting countries to supply, and the Community to purchase and import 1.4 million tons of sugar annually with the guarantee of a minimum price.

The exact quota amounts were divided among the sugar producing countries. The price for ACP sugar is negotiated each year between buyers and sellers. The EEC, however, pays the ACP exporters a guaranteed minimum price. This annually determined price is within the price range operative in the EEC for beet sugar. ACP sugar producers are thus the first group outside the EEC who have started to participate, although indirectly, in the EEC's Common Agricultural Policy. These sugar commitments were made for an indefinite period, with the possibility of withdrawal after five years upon a notice of two years.[6]

The sugar arrangements were made primarily to accommodate the United Kingdom and the sugar-exporting Commonwealth countries who had previously enjoyed preferential access to the British market under the Commonwealth Sugar Agreement. Most of these countries are in the Caribbean; however, a number of other countries are also affected.[7]

5) Special Treatment for Beef

The beef and veal agreement is a harmonized set of arrangements between the EEC and five ACP producers (Botswana, Kenya, Madagascar, Swaziland and Zimbabwe in Lome II). Under Lome I, producers were accorded an annual export quota of beef that would be exempt from both import duty and from the variable levy imposed on beef imports to the Community.

Trade Related Changes Under Lome II

The ACP pressures in the trade realm during the formation of Lome II centered around free access to the Community markets for goods protected by the CAP, removal of safeguard clauses and lifting of the Rules of Origin to allow the ACP more freedom in choosing foreign investments to meet its industrialization needs.

The Community responded by liberalizing duties on certain CAP products (tomatoes, carrots, onions, asparagus, mushrooms) and by once again assuring the ACP in Article 12(2) that they will not "use safeguard measures for protectionist purposes or to hamper structural development." On the Rules of Origin issue, the EEC pointed out that the Council of Ministers can waive Rules of Origin if an ACP state shows that they inhibit industrial development.

Under Lome II, the beef and veal provisions were changed. The five ACP beef exporting nations were given a significantly higher guaranteed quota, which may be carried over from preceding years to match supply. These quotas are imposed for five years instead of one-year periods. The only qualification is that the exported beef must meet Community health standards. Botswana was obliged to withdraw from the arrangement until recently because of a hoof-and-mouth epidemic, and Zimbabwe is required to resume its cattle-dipping program abandoned during the Rhodesian guerilla war.

The other two protocols, for rum and bananas, aim to preserve traditional trade patterns between ACP and EEC nations through managed

markets. With respect to rum, Protocol 5 of the Lome II allows for duty-free entry of fixed quantities, with an annual increase of 40% on the U.K. market and 18% on the other Community markets. The Community annual increase is a 5% rise over that allocated in Lome I.

The banana protocol (Protocol 4 of Lome II) which allows terms similar to those for rum is designed to protect traditional Caribbean and West African suppliers to the Community. The preference system is especially needed by the small Caribbean islands, whose production costs are high and whose prices usually cannot compete with Central American ("dollar fruit") prices.

STABEX

The showpiece of the Lome I agreement was STABEX, the export earnings stabilization scheme, which allowed ACP countries to obtain monies specifically earmarked for financial relief during times of decline in their export earnings. STABEX was established according to Article 16 "with the aim of remedying the harmful effects of the instability of export earnings and thereby enabling the ACP states to achieve the stability, profitability and sustained growth of their economies."

1) STABEX Under Lome I

Eligibility for STABEX compensation relates to two threshold points. First of all, the commodity suffering a shortfall in earnings must represent at least 7.5% of the total value of all goods exported

(5% for sisal). Special provision has been made, however, for the least-developed, landlocked and island ACP states. For these countries, exports of a particular commodity that is covered by STABEX need only represent 2.5% of total merchandise exports.

Secondly, there is a trigger threshold calculated for each country's commodity exports which establishes the basis for any compensation. Shortfalls in export earnings are calculated according to a reference level which is the average earnings over the previous four years. In general, the trigger threshold is reached when earnings from exports to the EEC (or to all destinations for the 24 least-developed countries) fall below the reference level by 7.5%. This level is reduced to 2.5% for the least-developed, landlocked and island ACP states. Once it is established that the *fluctuation threshold has* been passed and the scheme is triggered, the difference between the level of reference and the actual receipts becomes the basis for the transfer. Each ACP country is required to apply to the EEC Commission for the transfer. The Commission examines the application and drafts a transfer decision in consultation with the applicant. The Community may decide not to consider the application if the fall in receipts from exports to the Community is the consequence of measures of commercial policy which are restrictive or discriminatory against the Community. For example, no ACP country is entitled to a transfer if the reduction in export earnings is occasioned by its own trade policy affecting its exports to the EEC.[8]

These payments are reimbursable within the five years following compensation if during that time the value of the exports should be

higher than the reference level, and the quantity exported is at least equal to the average quantity calculated in the reference period four years prior to the export earnings losses. The amount to be reimbursed is the quantity of reference multiplied by the difference between the reference unit value and the actual unit value.[9] But for 24 "less advanced" ACP stated, no reimbursement is required.[10] There are no strings attached to the STABEX payments. The ACP countries can put these funds to whatever use they like, only submitting a statement to the ACP-EEC Council of Ministers explaining how they have used the funds.

STABEX transfers take the form of interest-free loans, in the amount of the shortfall in f.o.b. earnings. They can be made in any EEC currency chosen by the ACP, usually French francs, German marks or pounds sterling. The transfer takes place provided that the dependence threshold is met and that the Commission is satisfied that the shortfall is not the result of trade diversion tactics of the ACP states.

During the operation of STABEX under Lome I, the Commission established the principle that no transfer would be made if total earnings from exports to all destinations exceeded the average of its export earnings to all destinations in the preceding four years. This was written in as a provision of Lome II.

The eligible products were selected on the basis of: 1) their importance to employment in the exporting countries, 2) any deterioration in the terms of trade between the Community and the ACP country concerned, 3) the level of development of the state concerned

and 4) the particular difficulties of the least-developed, landlocked and island ACP states.[11] Twelve product categories were chosen which all together make up 26 individual products:

Original STABEX Products

1. Groundnut products (groundnuts, shelled or not, groundnut oil, and oilcake)
2. Cocoa products (beans, paste, and butter)
3. Coffee products (raw or roasted and extracts, essences or concentrates of coffee
4. Cotton products (cotton, not carded or combed, and cotton linters)
5. Coconut products (coconut and copra, coconut oil, and oilcake)
6. Palm (oil, palm nut and kernel oil, palm nut and kernel oilcake, palm nuts and kernels)
7. Raw hides, skins and leathers (raw hides and skins, bovine cattle leather, sheep and lamb skin leather, and kid skin leather)
8. Wood products (wood in the rough, wood roughly squared or half-squared but not further manufactured, wood sawn lengthwise, but not further prepared)
9. Fresh bananas
10. Tea
11. Raw sisal
12. Iron ores and concentrates, and roasted iron pyrites. The EEC's original STABEX design envisioned the scheme as a mechanism focused primarily on tropical agricultural products. The ACP naturally pushed for the inclusion of minerals. In the final compromise, iron ore was the only mineral covered by STABEX. Although the EEC objected to its inclusion, they compromised in the end in order to get the agreement signed by some African countries whose exports consist mainly of iron ore, e.g., Liberia, Mauritania.

2) Changes in STABEX Under Lome II

During the negotiations to form Lome II the ACP called for enlargement of the STABEX scheme to cover all ACP exports earnings including tourism and minerals. They further asked that the dependence thresholds be lowered and that the system's resources be considerably increased.

The EEC was naturally reluctant to allow a stabilization scheme for all ACP export earnings and unwilling to give minerals identical treatment as STABEX commodities. The reasons were largely financial given the tremendous costs that would have been associated with sponsoring all ACP export earnings and especially minerals. The scheme that was developed for minerals will be discussed shortly but it should be noted that it is much less costly than a STABEX-like system for minerals would have been. In addition, enlarging STABEX to cover exports with non-European destinations is not a politically acceptable proposition within the Community.

The negotiating differences notwithstanding, Lome II introduced a number of changes in the STABEX system. The number of products or by-products covered by STABEX rose from 34 (8 had been added during Lome I) to 44.

Products added during the Life of the Lome I Convention

13. vanilla
14. cloves (whole fruit, cloves and stems)
15. sheep's or lamb's wool, not carded or combed
16. fine animal hair of Angora goats - mohair
17. gum arabic
18. pyrethrum (flowers, leaves, stems, peel and roots; saps and extracts from pyrethrum)
19. essential oils, not terpeneless, of cloves, of niaouli and of ylang-ylang
20. sesame seed

Products Included in the New Convention

21. cashew nuts
22. pepper
23. shrimps and prawns
24. squid
25. cotton seeds
26. oil-cake
27. rubber
28. peas

29. beans
30. lentils

Under Lome II the dependence thresholds were lowered from 7.5% to 6.5%; for the least-developed, landlocked and island ACP states the thresholds were reduced from 2.5% to 2%. Further, STABEX reserves were increased 45% from 380 million EUA to 550 million EUA.

As regards ACP demands for a comprehensive STABEX expansion to cover all exports, while the battle was lost, a skirmish was won. Lome II allows further possibility of including within the system an ACP country's exports to another ACP state (subject to approval on a case-by-case basis by the Council of Ministers).

European Development Fund and European Investment Bank

The Lome Conventions expanded the financial and technical assistance activities of the European Development Fund and the European Investment Bank.

EDF/EIB Under Lome I

Funding was increased to 3,390 million EUA. The funds were divided into the following categories:

Lome I	Million EUA
European Development Fund, of which:	
Grants	2,100
Loans on special terms	430
Risk capital	95
STABEX	375
European Investment Bank:	
Ordinary loans	390
Total	3,390

Lome I offered a wide choice of methods and terms of financing, ranging from straightforward subsidies or non-repayable grants to normal loans at market rates. Because of the low level of development in most of the ACP countries, non-repayable grants predominate (80%) by comparison with loans on special terms and risk capital (20%).

The terms for the special loans fall, for the most part, into a standard pattern, comprising total periods of 40 years with repayment not beginning until after ten years and a rate of interest of only 1%. This is more advantageous than under the Yaounde Conventions, in which these terms were specified only as maximum concessions that in practice were by no means generally applied.

In addition, EDF/EIB monies may help toward the execution of industrial, mining, or tourist projects of general interest to an ACP country's economy by subscribing part of the risk capital and thus buttressing the funds of local firms. Risk capital may be provided in normal loans, priority loans, or conditional loans.

Under Lome, the ACP countries are more closely involved in defining the general orientation of the aid and are required to take a

more active part at each stage of a project: devising the aid program, preparation and investigation of projects, preparation of financing decisions, project execution, and final evaluation of the results. Each ACP state is responsible for drawing up its own requests for finance, in close cooperation with the competent EEC departments. After the programming work, each program is subject to an exchange of views between the representatives of the ACP country and of the EEC. When the EDF Committee's verdict is against the project, the departments of the EEC again consult the representatives of the ACP countries concerned to decide whether the project should be submitted as is, withdrawn, or amended.[12]

EDF/EIB Under Lome II

By the time of the renegotiations, the ACP countries were again dissatisfied with the EEC aid program. Inflation had eaten away at the aid sums, delays in disbursements had caused frustration among the ACP states and they still had little say in the aid fund allocation. During the negotiations for Lome II they demanded a 10 billion EUA aid fund and joint operation of the fund. Of course, a compromise was struck between the expansive ACP hopes and the limited EEC offer. A financial commitment of 5,227 million EUA was settled upon with the following breakdown:

Lome II	Million EUA
European Development Fund, of which:	
Grants	2,928
Loans on special terms	504
Risk capital	280
STABEX	550
Minerals	280
European Investment Bank:	
Ordinary loans	685
Total under Lome II	5,227

Funding under Lome II reflected the new areas of commitment in minerals and the increased STABEX fund. In addition to the monies committed under the Convention itself, an additional 200 million EUA was made available through the EIB for loans for mining projects.

Technical Center for Agricultural and Rural Cooperation

During the Lome II negotiations the ACP pushed for greater attention to its agricultural and rural development needs. The result was a new center designed to assist the ACP countries through improved access to information, research, training and innovations in the agricultural and rural development fields. The functions of the Technical Center, as detailed in Article 88, are:

i. the dissemination of scientific and technical information in general (scientific publications, results from agricultural research institutes, information from data banks, information on agricultural extension and so on) or in response to specific requests from an ACP State (requests for training or help with agricultural programming or the introduction of certain agricultural techniques) by putting the applicants in touch with the relevant research or training bodies in the Member States or other ACP States or with other bodies specializing in tropical agriculture;

ii. the organization of meetings of delegates from organizations in the ACP States and the Member States specializing in applied agricultural research, tropical agriculture and questions of rural development."[13]

New Institutions

Several new institutions were created under Lome I although they are largely adapted from Yaounde. The "Council of Ministers"[14] is composed of members of the Council of Ministers of the European Communities, members of the Commission of the European Communities and members of the Government of each ACP state. It has responsibility for broad policy decisions, for reviewing the operation and achievements of the Convention arrangements and for taking such specific decisions as it is empowered to do by the Conventions.[15] Decisions of the Council are binding upon all contracting parties who must take the necessary measures in order to implement them.[16]

The "Committee of Ambassadors" has the responsibility of ensuring the day-to-day operations of the Convention, of generally keeping under review the functioning of the Convention and the development of its objectives, and of supervising the work of committees, working groups and other bodies, whether continuous or ad hoc.[17] This committee, like the Council of Ministers, has representatives from each EEC state, from the Commission and from each ACP state.

A "Consultative Assembly" was also created which is composed on a parity basis of members of the European Parliament and representatives designated by the ACP states.[18]

Industrial Cooperation

Industrial cooperation was treated separately under Title III of the Lome Convention. The goals are to: 1) promote development and diversification of industry in the ACP states; 2) promote establishment of new industrial links and trade links between the industries of the member states and those of the ACP states; 3) increase the links between industry and the other sectors of the economy, in particular agriculture; 4) facilitate the transfer of technology to the ACP and promote the adaptation of such technology to their specific needs; 5) promote the marketing of industrial products of the ACP in foreign markets; 6) encourage the participation of nationals of ACP states, in particular of small and medium-sized industrial firms; 7) encourage Community firms to participate in the industrial development of the ACP states, where those states so desire, and in accordance with their "economic and social objectives." In addition, Title III created two institutions to implement these goals. The first was the Industrial Cooperation Committee, which is to monitor the progress in industrial cooperation, note the problems arising and suggest solutions, and report to the Committee of Ambassadors. The second was the Industrial Development Center (CID). The CID is managed jointly by the ACP countries and the Community, its job being concerned mainly with industrial information, contact-making, and other functions connected with industrial promotion. It is the workhorse of these cooperation efforts created in Article 36, designed to serve as a sort of "marriage broker" between the European and ACP private sectors that would watch over matches from first consultation to implementation.[19]

Scope and Operation of the Center for Industrial Development

The Center for Industrial Development, which did not go into operation until January 1977, is managed jointly by the Community and the ACP. Its primary goal is to arouse the interest of business circles in Community countries in industrial cooperation with ACP states, and to persuade them to take positive action.[20] To do so, it gathers and disseminates to the Community and ACP states all relevant information on conditions and opportunities for possible projects. It carries out studies, when requested, on the possibilities for industrial development in a given ACP state, or on the feasibility of a proposed project. It organizes and facilitates contacts between Community and ACP industrial policy makers, promoters, firms and financial institutions. It also helps identify opportunities for industrial training when needed and requested.[21]

The Center Under Lome II

During the Lome II negotiations the ACP, especially Nigeria, lobbied for an Industrial Development Fund and for improvement of the existing institutions. The EEC outright rejected the idea of a new fund but agreed to improvements in the existing institutions.

The Center for Industrial Development was renegotiated under the Lome II Convention with two new provisions: a budget of 25 million EUA taken from resources earmarked under Article 133 for regional cooperation, for project financing, and for an expanded information and

research scheme.[22]

This direct funding was a response to problems experienced during Lome I CID operations. Since the first two years of CID cooperation, it became apparent that the resources available for industrialization promotion were far too limited.

SYSMIN and Provisions Relating to Mining Development Under Lome II

Perhaps the only significant additions of Lome II are the provisions relating to mineral production, exploration and related investments. The ACP had long been lobbying for the inclusion of minerals in STABEX, but by the time of the renegotiation iron ore remained the only mineral included in the scheme. EEC concerns over future supplies of imported minerals and the declining activity of European mining firms in exploration and investment in the ACP countries and the Third World in general[23] prompted Community action. Among the major reasons for European investor inactivity were non-economic risk factors, i.e. ACP political instability and creeping nationalization. Hence the Community was prompted to effectively reduce the degree of private sector risk. Lome II contains a set of provisions designed to ensure the development of ACP mining potential: technical and financial assistance for mining, prospecting and operating programs; help in the form of risk capital for investment preliminary to the launching of mining projects; and assistance from the EIB, provided with increased funds, for projects of mutual EEC-ACP interest. In addition, Lome II contains a clause which provides a sort of "most-favored nations" concept to bilateral investment treaties between EEC and ACP states.

Roughly speaking, all members of the Community are to be considered on an equal basis with the individual EEC state which negotiated the treaty with the ACP country.

The ACP concern over the inclusion of minerals in the export earnings support program date back to the negotiations for the first Convention. Their demands for mineral inclusion continued into the Lome II talks. However, the EEC had refused to include minerals other than iron ore in the first STABEX scheme. Even the inclusion of iron ore was a politically embarrassing mistake for the Community. Although inclusion of copper in STABEX had actually been discussed by the Community early in the Lome I negotiations it was later rejected due to prohibitive cost and the non-renewable characteristic. Since copper is a non-renewable resource, it might eventually drain any fund over time since resources from any mine would fall in the long run.

By 1978, when renegotiations were underway, there was increased EEC concern over copper supplies. Fear of serious economic and political instability in the two ACP copper producers, Zaire and Zambia, was growing. Neither were eligible for STABEX funds, although both countries' dependence on copper earnings was considerable (Zaire 55%, Zambia 90% of total export receipts). Compounding the problem was EEC dependence on ACP countries for other minerals such as bauxite, manganese and tin.

SYSMIN (Systeme Mineral), a mineral production support scheme, was the child of these EEC concerns. SYSMIN provides Community intervention in the form of financial aid when the ACP mineral exporter faces

production problems resulting, e.g., from damage to installations, and/or from internal or external political difficulties interrupting its ability to export to the European market. The problems must be sufficiently grave that normal emergency aid provided by the Convention is considered to be inadequate.

The system is supported by financing amounting to 280 million EUA, divided into a number of equal annual installments. The Community will consider the provision of assistance in the following circumstance: the mineral concerned must have accounted for at least 15% of the country's export earnings over the previous four years (10% for the least-developed, landlocked and island states) and a 10% decline in production or export capacity must have occurred in an "otherwise viable and *economic line of production.*" If these conditions are met, an ACP state may apply for assistance. Unlike the STABEX scheme, a transfer is not guaranteed if the preconditions are fulfilled (and the Commission satisfied that trade diversion has not occurred), but is dependent on Community approval of the ACP state's proposals for the use of a transfer in projects and programs aimed at restoring production and/or exports. Financing takes the form of loans repayable over 40 years with a 10 year grace period, and an interest rate of 1% (0.75% for the least-developed countries). Under no circumstances will an individual ACP country be permitted to receive more than 50% of the funds available from an annual installment. Included within the scheme are the following products (see Table below): copper and cobalt (produced by Zambia, Zaire, and Papua New Guinea); phosphates (Togo and Senegal); bauxite and aluminum (Guinea, Jamaica, Surinam and Guyana); manganese (Gabon); and tin (Rwanda).

Table II-1

PRODUCTS AND PRODUCERS COVERED BY SYSMIN

	Producer country	Dependence threshold (average	EEC share of exports (average)
Copper	Zambia	91%	60%
	Zaire	55%	91%
	Papua New Guinea	52%	40%
Phosphates	Togo	59%	92%
	Senegal	18%	54%
Bauxite	Guinea	90%	34% (Bauxite 76)
Alumina	Jamaica	67%	19% (Alumina 76)
	Surinam	70%	29% (Alumina 76)
	Guyana	40%	9% (Bauxite 76)
Manganese	Gabon	15%	32% (1976)
Iron Ore	Liberia	69%	74%
	Mauritania	71%	75%
Tin	Rwanda	13%	

Source: "Main Mineral Exports," Lome II, Analysis Chapter by Chapter of the ACP-EEC Convention, EEC Commission, p.24.

Any new mines producing iron ores also will be included within SYSMIN. Those in production at the time of the signature of the Convention are included in STABEX for the first five years of the sytems's operation at which time they will be transferred to SYSMIN. The ACP had pressed for inclusion of uranium, diamonds, clinter, graphite and chrome but their inclusion was rejected by the Community.

U.S. Parallel Institutions

While the U.S. doesn't have a Lome-like agreement with any region of the world, a number of U.S. institutions serve functions similar to aspects of Lome. Within the U.S. governmental context, different agencies focus on trade, aid, and investment policies.

1) Trade

The U.S. Generalized System of Preferences (GSP) provided by Title V of the Trade Act of 1974, authorizes the President to grant duty-free treatment to eligible articles imported from designated beneficiary developing countries. Forty-three African States and almost all the Caribbean States have GSP status. However, important trading partners of the U.S., such as Nigeria and Gabon, are barred because of their membership in OPEC.

2) U.S. Aid

The U.S. contributions to world-wide overseas development assistance are channeled through multilateral and bilateral aid programs. U.S. bilateral aid is administered through the U.S. Agency For International Development (AID). AID's major thrust in recent years has been towards the "Basic Human Needs" approach and away from industrialization and infrastructure. A fuller discussion of the U.S. emphasis and comparisons will follow in Chapter IX.

Nearly all the functions of the Center for Industrial Cooperation are performed by the International Trade Administration (ITA) of the Commerce Department. To stimulate American business with developing countries, the ITA disseminates information on business contacts and conducts trade seminars and exhibits; unlike the C.I.D., however, it does not usually conduct feasibility studies. Although AID's programs

are mainly devoted to the U.S. strategy to meet basic needs (e.g. food production, nutrition, family planning, health, education), it also runs programs to aid in technology transfer and training.

Export-Import Bank and Overseas Private Investment Corporation

The U.S. Export-Import Bank (EXIM) and the Overseas Private Investment Corporation (OPIC) operate, respectively, to help finance exports and insure against political risk, and to provide financing. The Lome Conventions do not have parallel institutions. Although an OPIC-like scheme was desired by Europeans during the last round of negotiations, it remained in the discussion stage. Many European countries do have bilateral investment treaties with individual ACP states and many countries have EXIM- and OPIC-like institutions operating on a national basis.

REFERENCES

[1] Under the Trade Reform Act (1973) the U.S. refused preferential tariffs for those developing countries which grant preferences to developed countries.

[2] It has been estimated that these countries lost at least $30 million a year in revenue even when the average preference is an assumed 2%. See ECA, "Inter-African Economic Cooperation and relations with EEC," p. 36.

[3] See CET Rates in Chapter III.

[4] The Courier, No. 31, March, 1975, p. 23, data from 1973.

[5] The model for these rules were EEC rules which have previously applied in free trade agreements between the EEC and the EFTA.

[6] See Lome Convention Article 25 and Protocol No. 3.

[7] The affected sugar producing countries are: Barbados, Fiji, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mauritius, Congo, Swaziland, Tanzania, Trinidad and Tobago, and Uganda. Non-independent Caribbean countries (Belize, St. Kitts, Nevis, Antigua, and Surinam) and India will be covered by the same system. See Information Memo, Commission of the European Communities, February, 1975.

[8] Article 19(4) of the Convention.

[9] For example, The Courier, March 1975, gave the following example:

> "Suppose that the value of reference is 10,000, obtained by multiplying a unit value of reference of 100 by a quantity of reference of 100, it will be supposed that the country in question received during the previous year a transfer of 1,000. Case I: The actual unit value is 120 and the actual quantity is 80, so that the actual receipts are 9,600. Through the unit values have risen, the country not only does not need to pay anything back to the fund, but is in a position to ask for a refund. Case II: The unit value is 105, the actual quantity 100. In this case the actual receipts amount to 10,500 and the country pays back 500. Case III: The unit value is 120, the actual quantities 100. In this case, the actual receipts amount to 1,200; but since the country concerned only received a transfer of 1,000, this is the limit of what it is required to repay. Case IV: The unit value is 100. The actual quantity is 110. The effective receipts are therefore 11,000; but the country in question is not required to repay anything because the actual unit value does not exceed the reference unit value."

[10] The designations "least-developed," "landlocked," and "island" countries are given special treatment under Article 48. For a complete list of this group see Appendix C.

[11] See p. 13, Brussels, February, 1975, Information Memo, Commission of the European Communities.

[12] See "The Courier," Nos. 46-52 for general interpretations of the Lome aid provisions.

[13] Lome II: Analysis Chapter by Chapter of the EEC-ACP Convention, Commission of the European Communities, 1980.

[14] Lome Convention Articles 70-75. Under the Yaounde Convention these functions were carried out by the Council of Association.

[15] See, for example, the provisions of Articles 17, 18, 21, (STABEX) and 41, 48, 60 (financial and technical cooperation); and cf. Article 73.

[16] Convention, Article 81, contains an elementary arbitration procedure for settling disputes on its implementation or interpretation.

[17] Convention, Articles 75-79, The Committee of Association under the Yaounde Agreements served similar functions.

[18] Convention, Article 80. Under the Yaounde agreements the Parliamentary Conference of Association served similar functions.

[19] Commission of the European Communities, "Industrial Cooperation and the Lome Convention," Europe Information (July, 1970), p. 6.

[20] Frey-Wouters, Ellen, The European Community and the Third World, (Praeger, New York, 1980), p. 58.

[21] Commission of the European Communities, "Industrial Cooperation and the Lome Convention", p. 6.

[22] ACP-EEC, "The Second ACP-EEC Convention Signed in Lome on October 31, 1979", The Courier, No. 58 (November, 1979), p. 21.

[23] Commission of the European Communities, Working Paper, "Subject: Trend of Private Investment in the Developing Countries by Community Member States," Sec (79) 194, February, 1979, pp. 2-8.

CHAPTER III

ACP-EEC TRADE RELATIONS UNDER LOME I

This chapter will present the results of the statistical inquiry conducted to establish the trade patterns and composition of trade in the Lome I period. The chapter is divided into two parts: an assessment of the trade patterns of the ACP-EEC states and their various subgroupings and a discussion of the composition of trade between the two regions.

Before beginning the analysis, a brief explanation is in order regarding the significance of the trade preferences and the important countries in the arrangement.

By the time that the Lome Convention was negotiated, the value of the tariff preferences accorded by duty-free access to the Community market had been diminished by two developments: The first was the reduction of the Community's Common External Tariff, primarily in accordance with successive GATT rounds of multilateral tariff negotiations. When the tariff reductions of the Tokyo Round were implemented, very few of the most important ACP exports enjoyed any tariff advantage at all in the Community market (see Table III-16). Secondly, the introduction of the Community's Generalized System of Preferences in 1971 and its subsequent rapid extension (the value of the offer increased from EUA 478 million in 1971 to EUA 6,900 million in 1980) afforded duty-free access to the Community's market to most other

AD-A109 608   DEPARTMENT OF STATE WASHINGTON DC OFFICE OF EXTERNAL--ETC F/G 5/4
THE LOME CONVENTIONS AND THEIR IMPLICATIONS FOR THE UNITED STAT--ETC(U)
NOV 81   J MOSS

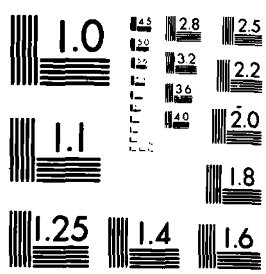
UNCLASSIFIED   FAR-251-GP   NL

2 of 4
AD
A109608

SIFIED

2 OF 4

AD A109608



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

LDCs. This was true not only for industrial products but — and perhaps more significantly for the ACP — for processed agricultural products also. The number of the latter included within the scheme rose from 147 in the period 1971-73 to a total of 310 in 1979. These developments effectively reduced tariff barriers on imports into developed from developing countries to insignificant levels and coverage.

A second set of factors internal to the Convention itself would be expected to limit its trade-expanding effects. The apparent liberality of the trade provisions is circumscribed by a number of significant restrictions. Most important among these are the exemption of certain agricultural products from duty-free access, restrictive rules of origin, and the existence of a safeguard clause.

Technically, 99.5% of ACP exports (by value) enter the Community market duty-free (the remaining 0.5% being products covered by the Community's Common Agricultural Policy where ACP production competes directly with that of Community farmers). However, were it not for the existence of the system of variable levies on agricultural imports, these products might well constitute more than 0.5% of total ACP exports. And, while the figures might be small in relation to total ACP-EEC trade, the products concerned are often of considerable significance for individual ACP countries. Both the levies themselves, and restrictive quotas on the quantities of ACP exports enjoying exemption from them, serve to limit the trade-expanding effects of the Convention.

Secondly, the Convention imposes rules of origin which require that, typically, between 50% and 60% of a final product's value be added locally for it to qualify as originating within an ACP State. Given the low levels of per capita income of the ACP States, this appears to be a particularly onerous requirement. To soften the consequences, the customs area from which the inputs can originate includes the EEC. Still, this provides only partial relief for ACP States and is a feature which discourages non-European foreign corporations from investing in the ACP. Finally, the presence of a safeguard clause introduces considerable uncertainty into the trade relationship. The Community threatened to impose this clause in 1979, in order to force Mauritius to agree to voluntary limitations on its textiles exports. This indicates that, where imports of "sensitive" products are concerned, the EEC is reluctant to distinguish between ACP countries and other suppliers.

A final reason why one might not expect the Lome Convention to have a marked effect on trade relations between the Community and the ACP is that for many members of the latter grouping, the provisions represented a continuity of existing arrangements. Eighteen countries had enjoyed duty-free access to the pre-enlargement EEC by virtue of the Yaounde Convention; for them, the Lome arrangements created new preferences only with respect to the three new Community Member States. Similarly, Commonwealth countries had enjoyed duty-free access to their principal market, the United Kingdom, via the Commonwealth Preferences Scheme. In their case, the Convention provided new preferences with regard to the original Six (although even here, three Commonwealth countries -- Kenya, Tanzania, and Uganda -- had previously attained duty-free access to the Community market for their principal exports,

albeit subject to quantitative restrictions, through the Arusha Convention), plus Denmark and Ireland. Only in the case of ACP countries which had not been colonies of one of the member states of the enlarged Community were new preferences created with respect to all Nine countries.

The directions of trade between the ACP and the EEC are primarily determined by only a handful of countries. Nigeria alone accounts for over one-quarter of ACP exports to the Community, and over one-third of ACP imports from the EEC.[1] The eight most important ACP exporters (Nigeria, Ivory Coast, Zaire, Cameroon, Kenya, Ghana, Zambia, and Gabon) provide nearly 70% of the Group's exports to the Community; the eight leading importers (Nigeria, Ivory Coast, Liberia, Sudan, Gabon, Kenya, Zaire, and Cameroon — in descending order of importance) together account for a similar percentage of ACP imports from the EEC. Looked at from another angle, over 30 ACP countries together account for less than 1% of ACP-EEC trade. The 24 most important bilateral flows between EEC member states and ACP countries cover over 60% of total trade.

A similar concentration is found in terms of the composition of ACP exports. The ten principal products (the composition of which has varied, as will be detailed later in the study) together have accounted, on average, for close to 80% of ACP exports to the Community during the decade.

Finally, a few words in this section should be devoted to the trade balance between the Community and the ACP States. For both sides to the Agreement, the balance has been viewed as a barometer of the

effectiveness of the trade provisions. The Community has published results indicating a balance-of-trade deficit with the ACP for most of the period of the first Convention. However, this is misleading in that the Community, of course, utilizes data which employs c.i.f. values for imports from the ACP, and f.o.b. values for Community exports. If one examines the relationship from the ACP perspective one finds that, in utilizing c.i.f. values for ACP imports, and f.o.b. values for ACP exports, the ACP have run a balance-of-trade deficit in all years under the Convention except 1979. Transportation and insurance charges are a sufficiently large component of import costs, that both groupings can be experiencing a trade deficit at the same time. But even if the balance-of-trade is not as favorable to the ACP as the Community has maintained, this is not necessarily to the former's disadvantage, e.g. the deficit may be covered by capital transfers from the EEC in the form of foreign aid.

PART 1: STATISTICAL ANALYSIS OF TRADE PATTERNS

In the decade of the 1970s considerable changes in the trading patterns of the industrialized countries with the developing countries occurred. The oil price explosion, with resultant world inflation, greatly increased the volume of world trade as measured in current prices and changed long-established trading patterns. World trade grew at an average annual rate of 29% in the period 1970-73 and then at an annual rate of 31% for the balance of the decade. Whereas in the period 1970-73 the share of oil exporting countries of world exports was 9%, it averaged 14% for the period 1974-79.

Any study of trade patterns of the ACP countries during the decade 1970-79 will inevitably be biased by these structural changes in the world economy. To the extent possible, this study tries to remove these biases. First, by utilizing a market-share approach, inflationary distortions in the data are somewhat neutralized. Second, the effects of trade in petroleum can be isolated by establishing a grouping of oil and one of non-oil ACP third world countries.

In order to determine statistically significant changes in trading patterns between the EEC and the ACP, export and import data (derived from IMF sources)[2] are transformed into market shares for each year in the period 1970-1979. For example, in 1979, ACP exports to the world totalled $47.0 billion, of which $18.7 billion went to the EEC; thus, the EEC share in ACP exports was 40%. Each year's share is then ranked on a scale from 1 to 10; the lowest share being ranked as 1. Rankings are then aggregated in two five-year periods: for the years 1970-74, and for 1975-79. A non-parametric test, the Wilcoxon-Mann-Whitney (W) test is employed to detect whether there has been a statistically significant change in the average of the market shares in the two sample periods. This non-parametric test is employed largely because the sample size is small. Appendix B provides a more detailed rationale for the test, and an explanation of the procedures utilized.

Against our null hypothesis (that no statistically significant change in market shares occurred), we test two alternative hypotheses: (a) that market shares increased; (b) that market shares declined. The null hypothesis is rejected at the 5% significance level, that is, when there is a 95% probability that market shares either increased or

decreased. Special instances, where an alternative hypothesis could have been accepted at a slightly higher level of significance, are footnoted.

The Lome I Convention trade provisions approximate a one-way free trade area, providing preferences for many of the ACP countries' exports to the EEC over other Third World suppliers. We would thus (theoretically) expect that: 1) The ACP countries would gain a competitive edge over other developing countries exporting similar products, resulting in an increase in the share of ACP trade going to the EEC; 2) While the Convention does not demand reverse preferences, the provision that the EEC countries receive a "most-favored nation" status might be expected to lead to an increase in the EEC's share of ACP imports. The second hypothesis needs to be qualified because most ACP countries are oil importers. It can be argued that no changes in the share of imports coming from the EEC could be considered a beneficial result from the EEC point of view, given the ACP's burden of increasing oil import costs. As mentioned earlier, several groupings within the ACP (such as the Yaounde, the Arusha and the Commonwealth groupings) had preferential access to the Community market or to an individual European country. One might expect that the countries which had newly acquired preferences would expand and diversify their trade — for example, the Yaounde Countries to the U.K., the Commonwealth African states to the rest of the EEC and the previously non-associated countries to the Nine. These trade patterns will be traced in the upcoming sections.

The countries were divided into various groupings, as detailed in Appendix C:

The ACP as a whole;
the oil exporting and the non-oil ACP states;
the least-developed ACP;
the Caribbean, Pacific and Asian ACP;
the Yaounde countries;
the oil and non-oil Yaounde countries;
the Commonwealth ACP countries;
the oil and non-oil Commonwealth countries;
the previously non-associated countries (PNAC);
the developing world;
the non-oil developing world and Latin America.

ACP Trade With World

In the period 1970-79, ACP exports to the world[3] and imports from the world more than quadrupled in dollar terms. Exports expanded at an average annual rate of 50% and imports increased 46% p.a. During the period between 2.8% and 3.5% of world exports went to the ACP.

Table III-1

DEVELOPING COUNTRY TRADE WITH THE WORLD: VOLUME AND SHARES OF EXPORTS AND IMPORTS

	Exports			Imports		
	1970	1975	1979	1970	1975	1979
ACP ($ billions)	8.5	26.1	47.1	8.7	27.1	44.5
(% of World Trade)	(3.0)	(3.3)	(3.1)	(2.9)	(3.3)	(2.9)
"Non-oil" ACP	6.5	12.7	22.2	6.7	16.3	26.9
	(2.3)	(1.6)	(1.5)	(2.3)	(2.0)	(1.7)
Developing Countries except Oil Exporters	36.4	94.1	200.9	46.1	136.6	261.7
	(12.9)	(11.9)	(13.4)	(15.5)	(16.8)	(16.7)
Major Oil Exporters	17.8	105.9	201.9	9.8	51.4	103.8
	(6.3)	(13.4)	(13.4)	(3.3)	(6.3)	(6.6)

Source: International Monetary Fund, Directions of Trade, Annuals 1975-1980.

The ACP share of world exports peaked in the mid-seventies as a result of the oil price increases which benefited the major ACP oil and oil product exporters. Although the ACP, as a group, has not experienced a decline in their share of world exports, "non-oil" ACP countries have experienced a steady decline in their share of world exports. By 1979 only 1.5% of world exports came from the non-oil ACP countries, compared to a peak of 2.3% in 1970. During this period the non-oil ACP countries experienced only a 27% p.a. increase in export volume and a 34% p.a. increase in import volume.

The dramatic decline in export shares of the non-oil ACP countries is especially noteworthy when compared to a like group, those developing countries who are also not large exporters of oil.[4] This group, except for a brief decline in the mid-seventies, has managed to retain its original share of world exports, increasing the volume of its exports five-fold.

On the import side, the non-oil ACP countries' share of world imports has also declined, though less so than exports. But again, the like group of developing, non-major oil-exporting countries has actually expanded its share of world imports, partly because it comprises a higher percentage of countries with a large manufacturing sector whose oil consumption has either remained constant or has increased.

ACP Trade with the EEC

The countries that form the EEC grouping, especially France and the U.K., have historical ties with many of the countries of the ACP grouping. One would expect that the advantages provided by these ties would be somewhat amplified by the trade provisions of the Lome accord, despite the caveats discussed earlier. Table III-2 below presents the export trade with the EEC of the ACP and several other related developing country groupings.

Table III-2

RELEVANT COUNTRY GROUPINGS' EXPORT SHARES TO THE EEC

	1970-74 Average	1975-79 Average	Statistically Significant
ACP	45.6%	38.4%	decline
Non-oil ACP	46.4	46.0	no change
Yaounde ACP •	62.8	54.9	decline
Non-oil Yaounde ACP	63.3	56.3	decline
Arusha ACP	31.0	39.5	increase
Commonwealth ACP	40.3	32.7	decline
Non-oil Commonwealth ACP	37.9	39.0	no change
Least-developed ACP	39.8	43.2	increase
Caribbean ACP	12.0	11.8	no change
Pacific & Asian ACP	29.7	35.4	increase
PNAC* ACP	41.3	40.7	no change
Developing Countries (excluding oil exporters)	27.1	24.5	decline
Major oil Exporters (including Nigeria)	43.9	32.4	decline
Latin America	27.5	23.3	decline

* Previously Non-Associated Countries.

Source: Tables C-3 to C-17b, Appendix C.

The most noteworthy result, contrary to our expectations, is the decline in ACP trade with the EEC. During the Lome I period, only 38.4% of ACP exports went to the Community, as compared to 45.6% before Lome.

This statistically significant decline is due mostly to the expansion in trade of the oil exporting ACP countries with the U.S. (We shall examine trade with the U.S. in more detail later). Meanwhile, the non-oil ACP group showed no significant[5] changes in the pattern of exports to the EEC. However, Yaounde and Commonwealth ACP groupings showed significant declines in export shares to the EEC. Yaounde countries are significant exporters of coffee and cocoa, although Gabon also exports oil and Zaire copper. It is very likely that most of the decline can be explained by three factors: 1) the increasing share of Zairean and Gabonese exports going to the U.S.; 2) the growing importance of Japan as Zaire's trading partner; 3) the late seventies' Latin American coffee shortages which contributed to high prices and increases in ACP coffee exports to the U.S. Part of the decline of the Commonwealth ACP shares can be similarly explained. The U.S. absorbs a significant portion of petroleum exports by the three major ACP oil exporters (Nigeria, Trinidad and Tobago, and the Bahamas), all members of the Commonwealth category. The "non-oil Commonwealth" ACP grouping, that excludes these countries, shows no change.

The previously non-associated countries (PNAC), i.e. those states which were neither in the Commonwealth nor in the Yaounde grouping, show no significant changes in either export or import shares to and from the EEC. This result is somewhat unexpected since these countries had preferences for the first time in the European market.

The only groups exhibiting significant increases in export shares going to the EEC are the Arusha,[6] the Least-Developed[7] and the Pacific and Asian[8] groupings. This is not an unexpected result,

considering that the least-developed ACP countries, that also include some of the Arusha and Pacific and Asian countries, are given favorable treatment under Lome on some of their most important exports.

Developing countries, excluding major oil exporters, experienced a significant decline in export shares going to the EEC. Thus, the non-oil ACP countries fared better than our reference group in their trading experience with the EEC during Lome I. Another question that can be raised is: were the Latin American countries, whose exports are similar to the non-oil ACP grouping's, put at a disadvantage during Lome I in trade with the EEC? There is some evidence to indicate that the answer is affirmative: the share of Latin American exports to the EEC did decline significantly during the Lome I period.

The EEC import market provides another perspective from which the decline in ACP trade can be studied. To this purpose, the ACP import position in EEC markets was analyzed with regard to total EEC imports and to imports from developing regions in general. Tables III-3 and III-4 below summarize the disconcerting results of this inquiry.

Table III-3

DEVELOPING COUNTRIES' SHARES OF EEC IMPORTS (%)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
ACP	8.2	7.5	8.0	7.8	8.7	6.9	7.2	7.5	6.6	6.6
Non-oil ACP	6.4	5.1	5.4	5.0	4.6	3.6	4.1	4.8	4.2	3.7
Developing Countries	36.5	37.4	37.1	37.2	47.2	43.4	49.5	43.5	39.8	40.4
NODC*	20.9	19.1	19.2	19.5	17.9	17.1	17.6	19.3	18.7	18.5
Non-ACP NODC	14.1	13.5	13.3	14.0	12.7	12.3	13.0	14.0	14.0	14.1
ACP share of EEC imports from DCs	22.5	19.1	21.5	20.9	18.4	15.9	14.5	17.2	16.6	16.4
NOACP# share of EEC imp. from NODC	30.4	26.8	28.2	25.7	25.5	21.3	23.3	24.7	22.6	20.2

* Non oil-exporting Developing Countries (including ACPs).
# Non oil-exporting ACP Countries.

Table III-4

CHANGES IN DEVELOPING COUNTRIES' SHARES OF EEC IMPORTS

	1970-1974 Average (%)	1975-1979 Average (%)	Stat. Sign. Change
Developing Countries	39.1	43.3	Increase
NODC*	19.3	18.2	No change
Non-ACP NODC	13.5	13.5	No change
ACP	8.0	7.0	Decline
Non oil-exporting ACP	5.3	4.1	Decline

* Non oil-exporting Developing Countries (including ACPs).

From an EEC point of view the ACP has lost ground. As shown in Table III-4, during the pre-Lome period the ACP supplied an average of 8.0% of EEC imported goods, while during Lome I their share fell to

7.0%. Non-oil exporting ACP countries fared even worse, their share declining from 5.3% to 4.1%.

Meanwhile, the developing countries as a group gained importance in European import markets, by increasing their share from 39.1% before Lome to 43.3% during Lome I. Again, petroleum is the key to this change: the shares of non-oil developing countries (NODC) exhibited a slight, but not statistically significant reduction from 19.3% to 18.2%.

Another way to gauge ACP performance is to compare its share of EEC imports to that of developing countries in general (bottom rows in Table III-3). Non surprisingly, the ACP experienced no statistically significant change in their import share between the two periods. What is unexpected is the poor performance of the non-oil ACP countries. While the non-oil exporting developing countries as a group held a steady position in the EEC markets, their ACP subgroup dropped from 27.3% before Lome to 22.4% during Lome I, despite the Lome trade preferences.

Aside from an oil-related shift in EEC import expenditures, there are several possible explanations for these puzzling results. First, among the countries in the NODC category there are a number of Asian states which have become more important suppliers of EEC imports, in part because of the EEC's GSP. Second, most of the non-oil ACP products are tropical in nature (with the exception of minerals and ores) and are not in burgeoning demand in Europe. Third, the prices of many of these tropical exports have not kept pace with the rapid rise of other EEC import prices.

The question of ACP market diversification within the EEC must also be addressed. Where did the importance of various European countries as markets for ACP goods change? Table III-5 shows the shares of the various countries in ACP total exports to the Community in 1970, 1975 and 1979. The most striking result is the U.K.'s decline in importance by 1979. This change can be at least partially explained by North Sea oil flows which reduced Britain's need for Nigerian oil imports. Meanwhile, Germany and the Netherlands became more important markets for the ACP by the end of Lome I.

Table III-5

EEC MEMBER STATES' SHARES IN ACP EXPORTS TO THE COMMUNITY

	1970	1975	1979
Belgium/Luxemburg	10.4%	6.8%	10.0%
Denmark	0.7	1.4	1.0
France	19.6	24.4	23.5
Germany	13.3	14.7	23.8
Ireland	0.2	0.3	0.1
Italy	10.6	8.0	9.7
Netherlands	12.8	16.1	16.4
U.K.	32.4	28.3	15.0

On the import side, the rapidly increasing price of petroleum absorbed more and more ACP foreign exchange during the second half of the decade. A likely consequence of this would have been a decline in the relative positions that the industrialized countries held in ACP imports. As shown in Table III-6, the EEC has actually been able to maintain its importance as an ACP import supplier, and thus, relatively speaking, it has been doing well.

Table III-6

RELEVANT COUNTRY GROUPINGS' IMPORT SHARES FROM THE EEC

	Pre-Lome I Avg. share	Lome I Avg. share	Statistically Significant
ACP	41.9%	41.5%	no change
Non-oil ACP	42.4	40.9	no change
Yaounde ACP	63.9	59.2	no change
Non-oil Yaounde ACP	62.6	57.3	no change*
Arusha ACP	40.5	42.2	no change
Commonwealth ACP	34.2	36.0	no change
Non-oil Common. ACP	31.8	29.4	no change
Least Developed ACP	43.5	46.2	no change
Caribbean ACP	19.5	9.8	decline
Pacific & Asian ACP	10.7	8.3	decline
PNAC ACP	37.8	39.1	no change
Developing Countries (excluding major oil exporters)	25.8	22.6	decline
Major Oil Exporting Countries	40.4	40.9	no change
Latin America	23.8	18.0	decline

* Decline at 7.5% significance level.

Source: Tables C-24 to C-37, Appendix C.

Except for the Caribbean and the Pacific and Asian groups, all ACP groupings exhibited no significant changes in import shares from the EEC. This is an interesting result in light of the fact that the U.S. shares of ACP imports declined. Developing countries as a whole, excluding major exporters, also experienced a significant decline in import shares from the EEC. These two results lend credence to the conclusion that the EEC benefited from Lome I. As noted, the EEC's performance with the ACP was stronger than that of the U.S. and the EEC performed better with the ACP than with developing countries as a whole. The causes are difficult to pinpoint. A number of factors can be cited which account for this relatively favorable EEC performance. Among those which are not specifically related to the trade provisions of the

Convention are:

1. "Rules of origin" regulations which encourage ACP countries to purchase imports from Community suppliers
2. Tied aid, by which European aid is tied to the purchases from the Community
3. The "climate" that the Convention created, conducive to expansion of EEC exports to ACP countries
4. Most-favored nation status accorded to the EEC Community members by the ACP
5. Traditional trade patterns
6. Mercantile links, such as shipping lines
7. Language tie
8. Currency areas, i.e. the Franc zone
9. Geographic proximity
10. Extent of existing commercial relations

Having established the favorable EEC trade pattern with the ACP, the next question is which European countries fared most favorably? Table III-7 presents the member states' shares in ACP imports. As with exports, France's share improved between 1970 and 1979 while that of the U.K. declined rather markedly.

Table III-7

EEC MEMBER STATES' SHARES IN ACP IMPORTS FROM THE COMMUNITY

	1970	1975	1979
Belgium/Luxemburg	6.7%	5.8%	6.4%
Denmark	1.3	1.4	1.6
France	25.1	27.8	32.6
Germany	15.8	18.6	17.0
Ireland	0.3	0.3	0.6
Italy	8.5	9.1	8.7
Netherlands	7.0	6.7	8.8
U.K.	35.5	30.3	25.5

ACP Trade with the Original Six EEC Countries (EEC 6)

In order to isolate the effects on Commonwealth ACP countries of the U.K.'s entrance into the EEC, this particular trading partner

grouping was chosen. This grouping also allows us to isolate the effects of the elimination of the reverse tariff preferences received by the original six EEC countries (EEC 6) under the Yaounde convention.

In Table III-8 the trade results between the various ACP groupings and the EEC 6 are analyzed and in Table III-9 the EEC 6 and the total EEC are compared. ACP export shares to EEC 6 showed no significant changes while ACP export shares to the EEC declined: in view of the U.K.'s membership in the EEC, the most likely explanation is the decline in Nigerian oil exports to the U.K. following the introduction of North Sea Oil.

Table III-8

AVERAGE EXPORT/IMPORT SHARES OF THE RELEVANT COUNTRY GROUPINGS TO AND FROM EEC 6

	1970-74 Average	1975-79 Average	Statistically Significant
Exports to EEC 6			
ACP	31.5%	29.6%	no change
Non-oil ACP	33.4	34.7	no change
Yaounde ACP	58.2	50.4	decline
Non-oil Yaounde ACP	58.7	51.7	decline
Commonwealth ACP	21.2	22.0	no change
Non-oil Commonwealth ACP	17.1	19.5	increase
PNAC ACP	37.4	37.4	no change
Imports from EEC 6			
ACP	27.4	28.7	no change
Non-oil ACP	29.6	30.5	no change
Yaounde ACP	59.8	55.3	decline
Non-oil Yaounde ACP	58.4	53.2	no change*
Commonwealth ACP	15.2	20.1	increase
Non-oil Commonwealth ACP	13.7	14.3	no change
PNAC ACP	25.3	26.8	no change

* Decline at 7.5% significance level.

Source: Tables C-38 to C-51, Appendix C.

The tables exhibit another important development in trade patterns: the trading position of the non-oil Commonwealth ACP with the original Community members appears to have improved, while no change was recorded with respect to the EEC of the Nine. One could construe that the U.K.'s entrance into the Common Market reduced the advantages previously enjoyed by the Commonwealth ACP in trading with the U.K. Meanwhile, the trade with the original EEC 6 increased, because many of the non-oil Commonwealth group did not have preferences in the Community predating the Lome trade tenets. Lome gave the Yaounde countries preferences in the enlarged Community, i.e. the U.K., Denmark and Ireland, which they previously lacked. However, these preferences appear to have been of little consequence to the Yaounde group since their trade declined with the enlarged EEC.

Table III-9

COMPARISONS OF EEC 6 AND EEC
EXPORT SHARES FROM AND IMPORT SHARES TO THE ACP

	EEC 6	EEC
Exports from ACP		
ACP	no change	decline
Non-oil ACP	no change*	no change
Yaounde ACP	decline	decline
Non-oil Yaounde ACP	decline	decline
Commonwealth ACP	no change	decline
Non-oil Commonwealth ACP	increase	no change
PNAC ACP	no change	no change
Imports to ACP		
ACP	no change	no change
Non-oil ACP	no change	no change
Yaounde ACP	decline	no change
Non-oil Yaounde ACP	no change**	no change**
Commonwealth ACP	increase	no change
Non-oil Commonwealth ACP	no change	no change
PNAC ACP	no change	no change

* Increase at 7.5% significance level.
** Decline at 7.5% significance level.

Source: Tables C-3 to C-51, Appendix C.

ACP Trade with the U.K.

In the previous section we found a decline in export shares of the Commonwealth ACP grouping to the EEC as a whole. We tentatively identified the cause as the U.K. entry into the Common Market. This is substantiated, to a certain extent, by statistical results of the U.K.'s trade with the Commonwealth ACP. Table III-10 shows that indeed during Lome I there was a large decline in the average export shares to the U.K. However, this decline is largely a reflection of decreased exports to the U.K. by oil-exporting Commonwealth countries; non-oil Commonwealth ACP export shares to the U.K. declined only slightly, from 20.1% to 18.7%. As with the EEC of the Nine, the Commonwealth ACP's exports to the *U.K.* underwent *no significant change*. The behavior of the U.K. as an ACP imports supplier is not impressive. There is no change for most of the ACP categories.

Table III-10

AVERAGE EXPORT AND IMPORT SHARES OF RELEVANT ACP GROUPINGS TO AND FROM THE U.K.

	1970-74 Average	1975-79 Average	Statistically Significant
Exports to U.K.			
ACP	13.5%	8.3%	decline
Non-oil ACP	12.6	10.7	decline
Yaounde ACP	4.4	4.1	no change
Non-oil Yaounde ACP	4.4	4.2	no change
Commonwealth ACP	18.3	10.1	decline
Non-oil Commonwealth ACP	20.1	18.7	no change
PNAC ACP	3.7	2.7	decline
Imports from U.K.			
ACP	13.9%	12.0%	no change
Non-oil ACP	12.2	9.8	decline
Yaounde ACP	3.7	3.6	no change
Non-oil Yaounde ACP	3.9	3.8	no change
Commonwealth ACP	18.3	15.1	no change
Non-oil Commonwealth ACP	17.4	14.4	no change
PNAC ACP	11.7	11.3	no change

Source: Tables C-52 to C-65, Appendix C.

ACP Trade with Denmark and Ireland

Aside from Greece, Denmark and Ireland are the only countries in the EEC group which do not have historical ties with any of the ACP states and thus, no special trade ties prior to Lome I. Although their share in the exports and imports of the ACP group are small, less than 1%, it is interesting to examine the changes that have occurred since the implementation of the Convention.

Table III-11

AVERAGE EXPORT AND IMPORT SHARES OF THE RELEVANT COUNTRY GROUPINGS TO DENMARK AND IRELAND

	1970-74 Average	1975-79 Average	Statistically Significant
Exports to DK & IR			
ACP	.6%	.6%	no change
Non-oil ACP	.4	.6	increase
Yaounde ACP	.2	.4	no change*
Non-oil Yaounde ACP	.2	.4	increase
Commonwealth ACP	.8	.6	no change
Non-oil Commonw. ACP	.7	.8	increase
PNAC ACP	.2	.5	increase
Imports from DK & IR			
ACP	.6%	.7%	increase
Non-oil ACP	.6	.7	no change
Yaounde ACP	.4	.4	no change
Non-oil Yaounde	.4	.4	no change
Commonwealth ACP	.7	.8	increase
Non-oil Commonw. ACP	.6	.8	increase
PNAC ACP	.9	1.0	no change

* Increase at the 7.5% confidence level.

Source: Tables C-66 to C-79, Appendix C.

Lome I, by granting new preferences in the Danish and Irish markets, might have been expected to increase these countries' share of ACP exports. As Table III-11 shows, this proved to be the case only for the non-oil ACPs. But at least, no decline was registered in the Danish and Irish share of ACP exports, unlike the declines experienced with other Community members.

After receiving most-favored nation status under Lome I, Denmark and Ireland could have expected to increase their share of goods and services in ACP imports. For the ACP as a whole this expectation was fulfilled. Irish and Danish goods came to play a more important role in ACP imports. The Commonwealth ACP group is responsible for this

improvement, being the only grouping with a significant increase.

ACP Trade with the United States

Table III-12 shows the general trends in U.S. trade relations with the various ACP groupings. Export shares to the U.S. in most cases show a significant increase, although much of the increase is due to the expansion of Nigeria's oil exports to the U.S. The only large ACP country which shows a significant decline in exports to the U.S. is Jamaica.

Table III-12

AVERAGE EXPORT AND IMPORT SHARES OF THE RELEVANT COUNTRY GROUPINGS TO AND FROM THE U.S.

	1970-74 Average	1975-79 Average	Statistically Significant
Exports to U.S.			
ACP	20.8%	31.7%	increase
Non-oil ACP	14.4	15.4	no change
Yaounde ACP	8.4	10.5	increase
Non-oil Yaounde	8.0	8.7	no change
Commonwealth ACP	25.2	40.5	increase
Non-oil Commonwealth ACP	17.2	20.8	increase
Caribbean ACP	58.6	69.0	no change*
Oil Caribbean ACP	64.5	74.3	no change*
PNAC ACP	15.7	14.1	no change**
Jamaica	45.8	41.0	decline
Zambia/Zaire	2.1	8.3	increase
Developing Countries (excluding oil exporting)	23.7	24.4	no change
Oil Exporting Countries	11.2	17.7	increase
Latin America	33.8	34.5	no change
Imports from U.S.			
ACP	13.9%	11.2%	decline
Non-oil ACP	13.1	11.6	no change
Yaounde ACP	7.5	6.7	no change
Non-oil Yaounde ACP	7.4	6.8	no change
Commonwealth ACP	16.3	12.5	decline
Non-oil Commonwealth ACP	16.3	14.9	no change
Caribbean ACP	26.2	16.3	decline
Oil Caribbean ACP	21.7	12.2	decline
PNAC ACP	11.5	11.0	no change
Jamaica	39.0	36.0	no change
Zambia/Zaire	8.8	9.7	no change
Developing Countries (excluding oil exporting)	20.7	18.3	decline
Oil Exporting Countries (major)	199.0	17.0	decline
Latin America	31.1	26.6	decline

* Increase at a 7.5% significance level.
** Decline at a 7.5% significance level.

Source: Tables C-80 to C-107, Appendix C.

The Yaounde ACP grouping also experienced an increase in export shares to the U.S. This is explained by increasing amounts of oil exports from Gabon and by increasing mineral exports from Zaire.

This picture reverses when looking at the U.S. role as an import supplier. Import shares from the U.S. have generally declined, from an average of 13.9% in the pre-Lome period, to an average of 11.2% in the Lome period.

Table III-13

COMPARISON OF CHANGES IN EXPORT AND IMPORT SHARES TO AND FROM THE U.S. AND THE EEC

	U.S.	EEC
Export Shares to U.S. & EEC		
ACP	increase	decline
Non-oil ACP	no change	no change
Yaounde ACP	increase	decline
Commonwealth ACP	increase	decline
Non-oil Commonwealth ACP	increase	no change
Developing Countries (excluding oil exporting)	no change	decline
Oil Exporting Countries	increase	decline
Import Shares from U.S. & EEC		
ACP	decline	no change
Non-oil ACP	no change	no change
Yaounde ACP	no change*	no change
Commonwealth ACP	decline	no change
Non-oil Commonwealth ACP	no change	no change
Developing Countries (excluding oil exporting)	decline	decline
Oil Exporting Countries	decline	decline

* Decline at a 7.5% significance level.

Table III-13 compares ACP trade with the EEC and with the U.S. As noted, while ACP exports to the U.S. have increased, the opposite has happened to the EEC. Conversely, the U.S. share of ACP imports has declined, while EEC shares have remained constant. The declining U.S. position may be cause for concern, but it is not unexpected for two reasons: 1) most of the ACPs are oil importers; hence, higher oil prices during Lome I would be expected to absorb a good part of their importing

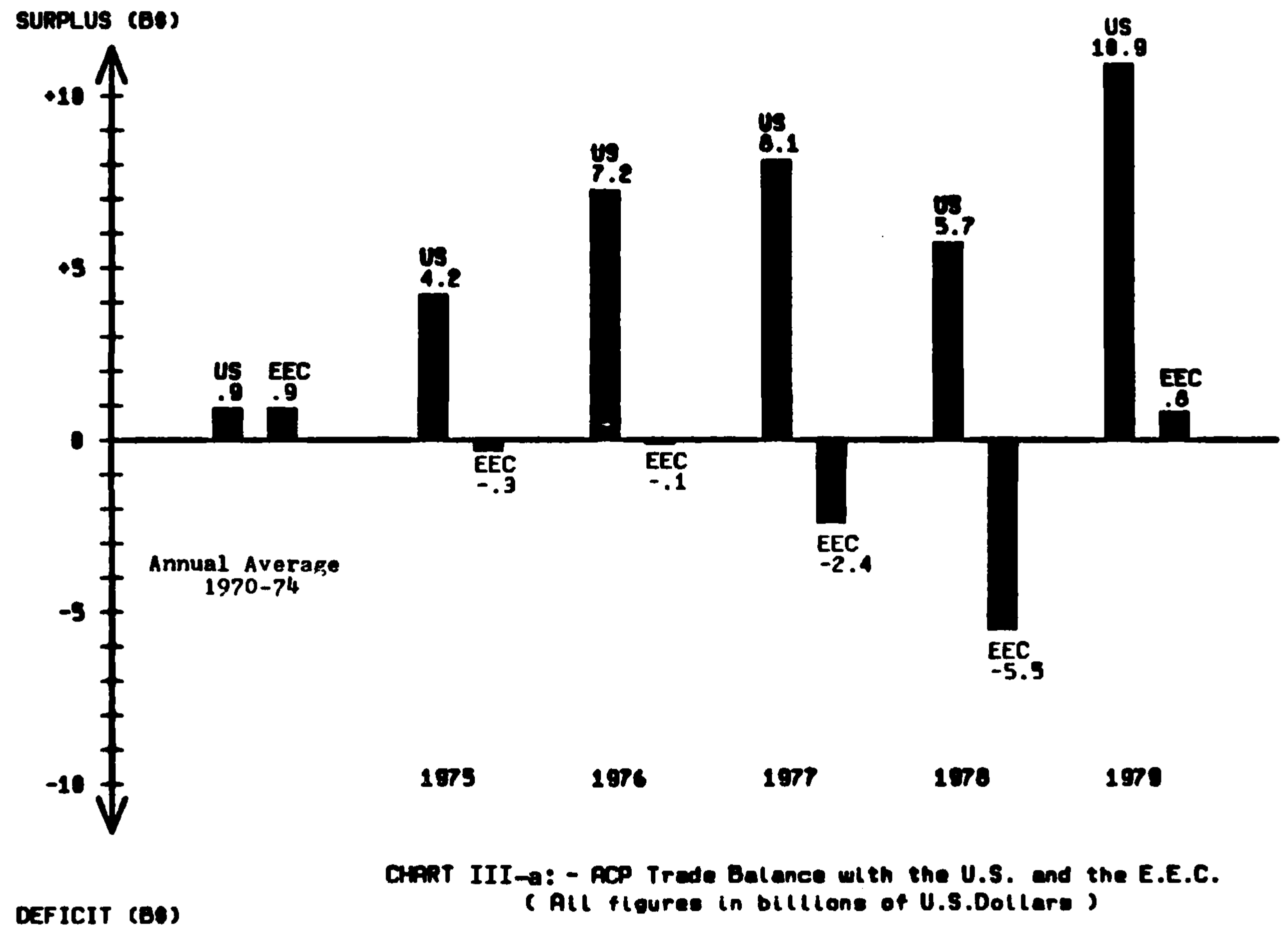


CHART III-a: - ACP Trade Balance with the U.S. and the E.E.C.
(All figures in billions of U.S.Dollars)

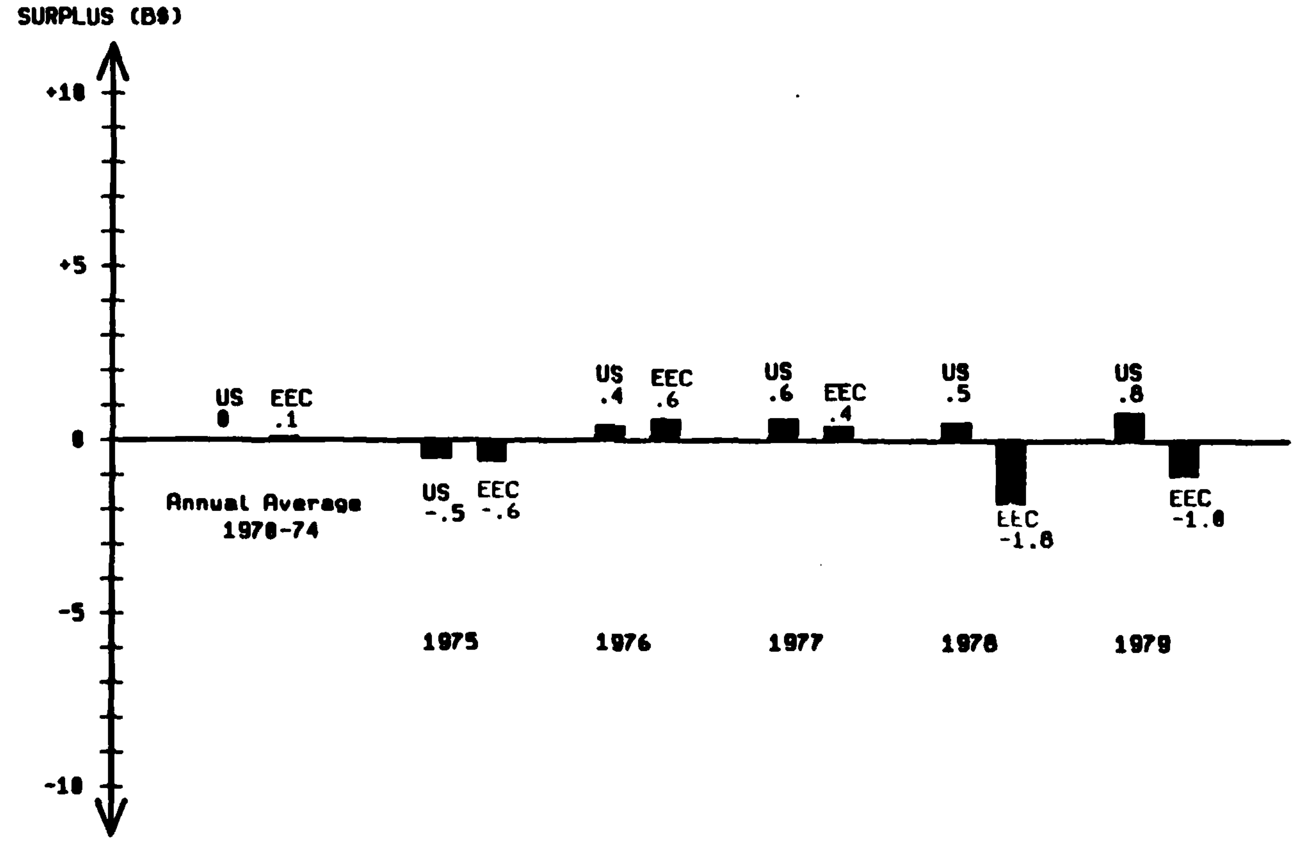


CHART III-b: Non-oil ACP Trade Balance with the U.S. & the E.E.C.
(All figures in billions of U.S.Dollars)

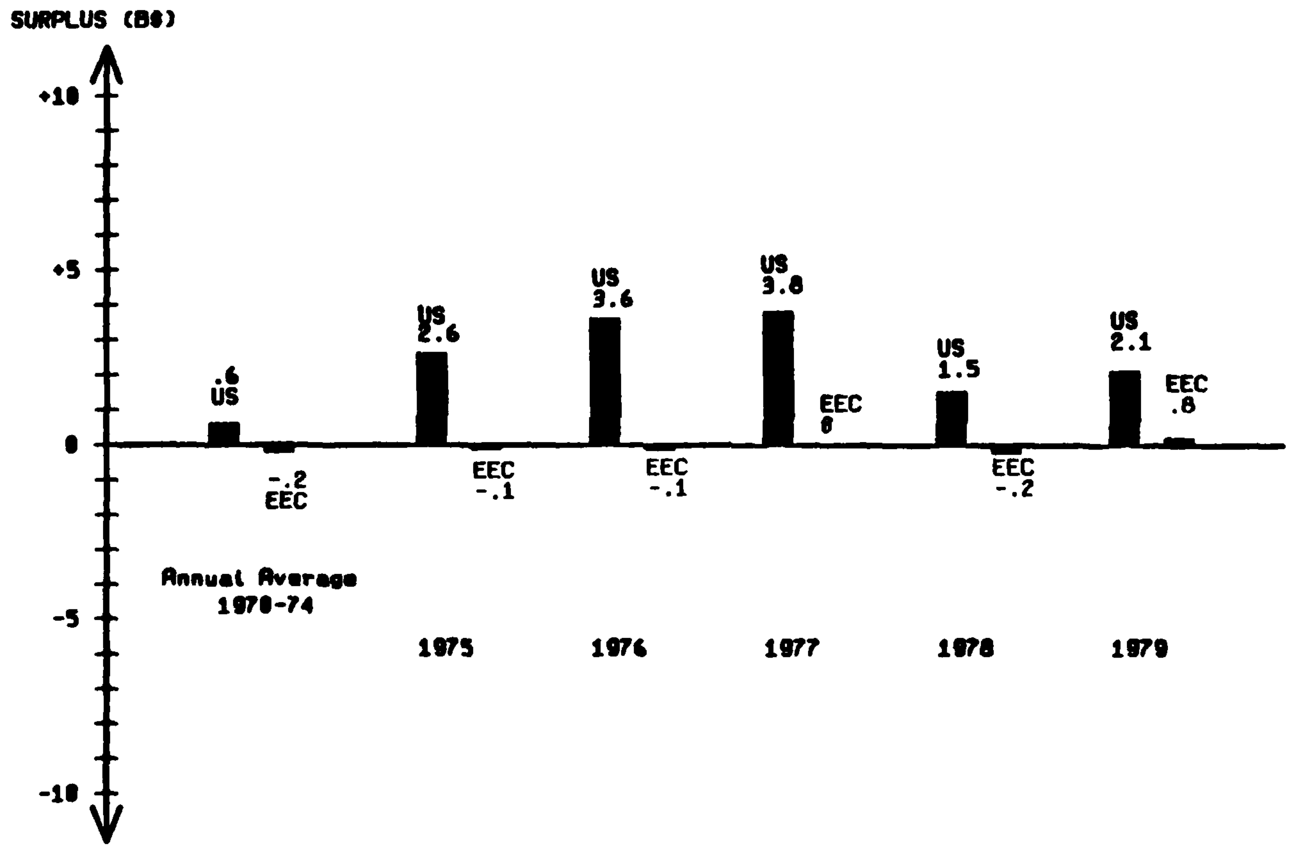


CHART III-c: - Caribbean ACP Trade Balance with the U.S. and the E.E.C.
(All figures in billions of U.S.Dollars)

capacity; 2) since the U.S. and the EEC are among the world's major suppliers of industrial products, the Americans' loss is the EEC's gain.

ACP Balance of Trade with the U.S. and the EEC

This section examines the balance-of-trade between the ACP and some ACP subgroupings with the U.S. and the EEC.[9] As seen in Chart III-a, in the pre-Lome period both the U.S. and the EEC experienced a trade deficit with the ACP countries.[10] This situation changed during Lome I. The ACP expanded the surplus with the U.S. considerably, averaging $7.2 billion annually, while accumulating a substantial deficit with the EEC.

In Chart III-b, the EEC and the U.S. trade balances with the non-oil ACPs are shown. Once again, the importance of oil becomes evident. Without oil, the ACP trade surplus with the U.S. falls to the $500 million range, down from the multi-billion dollar level when oil is included.

The EEC is less dependent than the U.S. on oil imports from the ACP and seems to have benefited the most from the increased purchasing power that higher oil prices have brought to certain ACP countries. From an annual average deficit of $0.9 billion in the pre-Lome period, the EEC in the Lome I period enjoyed an annual average surplus of $1.5 billion. With non-oil ACP countries the EEC's $.1 billion average deficit in the pre-Lome I period has changed to a $.5 billion average annual surplus.

The Caribbean ACP group exports large quantities of refined petroleum products to the U.S. This is the major reason for the increase in the U.S. trade deficit with this grouping shown in Chart III-c. The EEC imports very little, if any, petroleum products from this grouping and the trade balance shows very little change.

PART 2: COMMODITY COMPOSITION AND CONCENTRATION

The trade provisions of the Convention may also be assessed through an examination of the commodity composition and the share of the ACP in EEC imports of commodities which are important ACP exports.

Like most developing countries, the ACP group aspires to diversify its exports, and, in particular, to increase the share of semi-processed and manufactured goods. Their expectation, in entering the Lome Convention, was that the tariff advantages that it offered them over other developing countries would enable them not only to maintain, but also to increase, their share of Community imports of primary products that ACP countries produced, and to facilitate a diversification of the Group's exports so that an increasing percentage of value of finished products would be added locally. The extent to which these aspirations have been met during the course of the first Lome Convention is examined in this section.

Table III-14 shows a breakdown of ACP exports by major product categories. Exports in primary form continue to account for the lion's share of ACP exports. Foodstuffs and energy generating products (mainly petroleum) account for the 70% of exports. The share of foodstuffs in

ACP exports actually increased between 1975 and 1978. Conversely, the share of manufacturers has not really improved under Lome I and is still minimal, moving from 3.3% in 1975 to 4.6% in 1978. Two countries account for the majority of these exports, Mauritius and Ivory Coast.

Table III-14

COMMUNITY IMPORTS FROM ACP STATES:
BREAKDOWN BY MAJOR CATEGORIES OF PRODUCTS (In Million EUA)

	1975		1976		1977		1978	
	Value	(%)	Value	(%)	Value	(%)	Value	(%)
Foodstuffs	2,664	30.6	3,476	33.2	5,184	41.6	4,684	39.5
Raw materials	1,372	15.7	1,907	18.2	1,931	15.5	1,894	16.0
Non-ferrous metals	824	9.5	988	9.4	1,006	8.1	740	6.2
Energy-generating products	3,037	34.9	3,362	32.1	3,500	28.1	3,444	29.0
Manufactured goods	287	3.3	414	4.0	517	4.1	549	4.6
Other	527	6.0	325	3.1	323	2.6	553	4.7
Total	8,711	100.0	1,0472	100.0	1,2461	100.0	1,1864	100.0

Source: Katharina Focke, "From Lome I towards Lome II", p. 13.

Community exports to the ACP states are reviewed in Table III-15 The EEC remained a supplier of manufactured goods to the ACP, with foodstuff's and energy-generating products increasing slightly between 1975 and 1979.

Table III-15

COMMUNITY EXPORTS TO ACP STATES:
BREAKDOWN BY MAJOR CATEGORIES OF PRODUCTS (In Million EUA)

	1975		1976		1977		1978	
	Value	(%)	Value	(%)	Value	(%)	Value	(%)
Foodstuffs	811	10.1	963	9.7	1,272	10.2	1,427	11.2
Raw materials	62	0.7	116	1.2	85	0.7	86	0.7
Non-ferrous metals	49	0.6	59	0.6	84	0.7	90	0.7
Energy-generating products	172	2.1	261	2.6	389	3.1	555	4.4
Manufactured goods	6,634	82.1	8,313	84.1	10,238	81.9	10,065	79.2
Other	351	4.4	171	1.8	435	3.4	484	3.8
Total	8,079	100.0	9,883	100.0	12,503	100.0	12,707	100.0

Source: Katharina Focke, "From Lome I towards Lome II", p. 13.

ACP Share of the EEC Market, Commodity Concentration and Composition

An additional means by which the effects of the trade provisions of the Convention might be assessed is through an examination of the share of the ACP in EEC imports of commodities which are important ACP exports. Table III-16 presents data on the ACP share in EEC imports of the 25 most significant (mean 1976-79) ACP commodities exported to the Community.

Table III-16

ACP PERCENT SHARE IN EEC IMPORTS OF THE 25 MOST VALUABLE ACP EXPORTS 1973-79

	1973	1974	1975	1976	1977	1978	1979	Tot.* Share	CET 1/1/80
Crude Petroleum	7.0	10.4	8.8	7.4	7.6	8.1	10.7	29.2	0
Coffee	31.7	37.8	36.2	42.0	44.7	39.6	38.6	11.7	5 A
Coffee Beans	92.0	85.8	87.5	91.1	85.5	90.7	88.0	9.7	3
Refined Copper	42.0	44.4	40.9	38.3	39.8	31.5	32.7	5.1	0
Non-Coniferous Wood	75.7	74.3	75.4	70.0	70.9	72.2	72.9	3.8	0
Sugar	N.A.	36.0	49.3	59.3	67.1	72.5	71.2	3.2	L
Petroleum Derivatives	N.A.	N.A.	3.5	6.0	7.6	9.3	8.4	3.1	0
Iron Ore	21.5	21.1	19.4	17.8	19.7	18.0	16.9	2.9	0
Cotton	19.2	18.4	18.2	17.6	22.9	18.5	22.4	1.4	0
Blister Copper	43.0	45.0	37.1	40.0	42.2	40.3	43.4	1.4	0
Tea	N.A.	24.7	25.9	27.0	33.8	41.6	39.1	1.2	0 B
Groundnut Oil	60.2	61.9	83.7	80.0	79.9	53.4	53.0	1.1	10 C
Thorium and Uranium Ores	96.9	95.6	97.7	98.7	96.2	82.5	95.7	1.0	0
Aluminum Ore	33.6	39.0	46.1	58.8	59.1	61.6	54.5	0.93	0
Aluminum Oxide	N.A.	70.0	70.6	55.2	53.1	65.2	79.3	0.93	5.5D
Fresh Bananas	18.7	18.5	19.7	19.0	19.4	19.0	20.0	0.87	20 E
Wood simply worked	N.A.	2.7	3.7	3.4	3.0	3.3	2.9	0.85	0
Raw Tobacco	6.9	7.6	8.6	8.9	8.4	11.2	8.7	0.85	23 LF
Copper Ore	46.3	31.4	58.7	51.1	46.6	46.3	45.0	0.70	0
Calcium Phosphate	21.7	24.9	19.8	18.0	19.1	19.4	19.9	0.69	0
Groundnuts	N.A.	46.2	50.9	56.9	41.6	27.1	9.5	0.67	0
Diamonds	N.A.	15.8	12.9	4.4	4.8	7.1	3.1	0.66	0
Raw Skins	N.A.	14.6	13.0	11.0	10.5	11.4	11.4	0.55	0
Groundnut Cake	N.A.	58.4	67.3	48.5	43.9	42.4	34.7	0.53	0
Natural Rubber	12.3	12.1	12.6	11.6	10.9	11.4	11.3	0.53	0

*: Product share in total EEC imports from ACP; average 1976-79.
A: GSP rate for coffee is 0 for designated "least developed" beneficiaries.
B: If packaged in containers of over 3 kilograms. Tea packaged in containers of under 3 kilograms is subject to a CET rate of 5%; the GSP rate is 0.
C: GSP rate for palm oil (a competitive substitute) is 7%.
D: GSP rate for aluminum oxide is 0.
E: An annual quota of bananas enjoying exemption from the CET is negotiated each year for Germany.
F: GSP rate for tobacco is 6% plus reduced levy.
L: Product subject to CAP variable levies.

Sources: Data on ACP shares in EEC imports of products from Commission des Communautes Europeennes, Evolution des echanges commerciaux entre la Communaute et les etats A.C.P.,

[VIII/378/78-F] (3 Avril 1978); and Importations CEE des principaux produits en provenance des etats ACP, [VIII/820/80] (19 Aout 1980). CET rates from "Preferential tariff treatment applied by the Community (position as on 1 January 1980)", Official Journal of the European Communities Vol. 23, C88 (10 April 1980). GSP rates from Commission of the European Communities, The European Communities Generalized Tariff Preferences Scheme for 1980 [COM(79) 348 final] (12 July 1979).

Perhaps the most striking feature of this table is the last column, which shows the Common External Tariff rates for these commodities as of 1/1/80. Only 7 of the 25 most important ACP exports enjoyed any tariff advantage whatsoever against imports from third countries, and for four of these, the GSP rates were below those of the CET. Consequently, one would not expect the tariff preferences accorded by the Convention to have a great effect on ACP exports (although other provisions of the Convention, e.g. STABEX, might influence them).

These commodities may conveniently be divided into three categories: 1) those where the ACP States experienced a sustained increase in market shares; 2) those where the ACP share suffered a sustained loss; 3) those where the ACP share fluctuated around the mean with no obvious movement towards one direction or another.

ACP Commodity Market Shares

In five commodities — coffee, tea, aluminum ore, sugar, and petroleum derivatives — ACP exporters sustained an increase in their share of extra-European imports of these products. Three of these five products were among those enjoying tariff advantages. For a sixth product — bananas — the ACP share of EEC imports remained constant.

Three products — coffee, tea, and bananas — are covered by the STABEX scheme.

Perhaps more important in the case of sugar and bananas, however, are the special regimes for their import established by the Convention. For sugar, the Community guarantees to buy a specific quota of ACP sugar at a price within the range prevailing in the Community. In the case of bananas, there is no Community-wide policy, contrary to the Treaty of Rome; instead, a variety of national policies are enforced, such as licensing in France, Italy, and the United Kingdom, as a means to favor traditional suppliers among their former colonies.

ACP Deterioration in Market Shares

In six other commodities- refined copper, iron ore, diamonds, groundnuts, groundnut oil, and groundnut cake- ACP exporters experienced a deterioration in their share of extra-EEC imports. For only one of these products, groundnut oil, did the ACP enjoy a tariff preference. The experience with the three groundnut products illustrates the caution with which all these figures must be interpreted: given the predominance of primary products in ACP exports, these are particularly susceptible to natural and man-made disasters. A succession of poor harvests in West Africa caused a marked decline in total ACP groundnut exports — the index of quantity (1975=100) fell to 16.9 in 1979.

Table III-17 presents data on changes in the commodity composition of ACP exports from 1975 to 1977.

Table III-17

SHARES OF THE 25 MOST IMPORTANT COMMODITIES IN ACP EXPORTS TO THE EEC 1975 and 1979 (Values in Thousand EUA)

1975	Value 000 EUA	Share %	1979	Value 000 EUA	Share %
1. Petroleum	2,890,012	33.17	1. Petroleum	5,126,980	34.56
2. Cocoa	599,888	6.88	2. Coffee	1,340,455	9.04
3. Refined Copper	582,468	6.68	3. Cocoa	1,313,122	8.85
4. Sugar	488,303	5.60	4. Refined Copper	674,112	4.54
5. Coffee	479,941	5.50	5. Oil Derivatives	625,075	4.21
6. Iron Ore	327,251	3.75	6. Wood	525,161	3.54
7. Wood	300,914	3.45	7. Sugar	387,697	2.61
8. Blister Copper	148,104	1.70	8. Iron Ore	359,772	2.43
9. Calcium Phosph.	122,496	1.40	9. Blister Copper	182,104	1.23
10. Groundnut Oil	121,800	1.39	10. Cotton	169,817	1.14
11. Oil Derivatives	118,390	1.35	11. Thorium, Uranium	166,194	1.12
12. Cotton	116,981	1.34	12. Tea	153,631	1.04
13. Groundnuts	103,065	1.18	13. Uranium & Comp.	148,150	1.00
14. Bananas	95,461	1.10	14. Aluminum Oxide	136,448	0.92
15. Copper Ore	94,710	1.08	15. Groundnut Oil	123,220	0.83
16. Palm Oil	86,984	0.99	16. Sawn Wood	121,836	0.82
17. Tobacco	74,547	0.85	17. Bananas	117,145	0.75
18. Tea	73,560	0.84	18. Aluminum Ore	114,937	0.77
19. Sawn Wood	68,261	0.78	19. Tobacco	100,806	0.68
20. Aluminum Ore	64,138	0.73	20. Raw Skins	92,595	0.62
21. Aluminum Oxide	62,260	0.71	21. Diamonds	88,502	0.60
22. Raw Skins	56,333	0.64	22. Copper Ore	84,965	0.57
23. Thorium, Uranium	52,831	0.60	23. Calcium Phosph.	83,527	0.56
24. Groundnut Cake	49,125	0.56	24. Cobalt	81,808	0.55
25. Manganese Ore	43,663	0.50	25. Natural Rubber	78,825	0.53
Cumulative Percentage		82.77%	Cumulative Percentage		83.55%

Source: Same as Table III-16.

Petroleum is of course the single most important ACP export, its share of the total never falling below 25%. Over the five year period the most noticeable changes in commodity composition were the increasing importance of four minerals and mineral derivatives. The share of oil derivatives in total ACP exports more than tripled in the period, a result of increases in both the quantity exported and the unit value (in 1979, quantity=257.3, unit value=206.3, base=100 in 1975). For thorium and uranium ores the index of quantity had fallen to 77.1 by 1979 but

the unit value index reached 408.0 in that year. Exports of aluminum oxide rose by 81.5% in quantity and 20% in unit value over the period. One new ACP export merits particular attention -- natural uranium and its composites. It was not until 1977 that the EEC reported imports of this commodity from the ACP but since then the quantity involved had more than quadrupled; by 1979 it had become the thirteenth largest ACP exports and contributed 1% to total ACP export earnings. Minerals figured more prominently in ACP exports by the end of the Convention: 13 of the top 25 products were minerals in 1979 compared with 11 in 1975.

An index of commodity concentration[11] was constructed for the period 1975-79. Rather than a diminution in the reliance on a few commodities, as ACP states would desire, the index in fact showed a concentration in 1979 that was more marked than in 1975. This can be attributed, however, to the rise in the share of petroleum in ACP exports in 1979, as a result both of increased unit values and increased quantities exported.

Finally, Table III-18 examines the value and share in all EEC imports of that product, and the share of that product in ACP exports, of all manufactured products which constitute at least 0.05% of total ACP exports to the EEC.

Table III-18

ACP EXPORTS OF MANUFACTURED GOODS TO THE EEC
1973-1979 (Values in Thousand EUA)

	1973	1974	1975	1976	1977	1978	1979
Aluminum Oxide	64,012	77,474 (70.0)	89,126 (70.6)	80,883 (55.2)	102,551 (53.1)	143,056 (65.2)	136,448 (79.3)
Uranium	-	-	-	2,897 (-)	25,252 (3.1)	35,756 (3.1)	148,150 (9.5)
Clothing	2,582 (-)	8,338 (-)	19,769 (0.6)	31,396 (0.7)	45,911 (1.0)	49,107 (1.1)	55,330 (1.0)
Leather	- (-)	16,185 (5.4)	18,002 (6.0)	38,577 (7.6)	30,414 (5.5)	34,900 (6.3)	64,298 (7.0)
Cotton Fabrics	- (-)	- (-)	13,901 (2.3)	25,344 (2.7)	31,167 (3.4)	27,285 (2.9)	32,790 (2.6)
Veneers & Plyw.	26,009 (6.3)	24,792 (7.1)	15,576 (3.3)	21,132 (4.3)	15,113 (3.1)	18,478 (3.3)	24,292 (3.4)
Veg. Alkaloids	- (-)	- (-)	- (-)	14,461 (9.4)	14,668 (9.2)	12,001 (6.7)	7,018 (4.9)
Other Chemicals	- (-)	- (-)	- (-)	15,521 (5.7)	12,958 (5.8)	6,817 (2.8)	5,180 (1.7)
Essential Oils	7,128 (-)	9,253 (-)	4,351 (5.2)	9,302 (7.0)	8,393 (6.1)	8,960 (6.7)	9,635 (6.9)
Nat'l Hormones	- (-)	- (-)	- (-)	8,666 (11.4)	7,193 (9.9)	10,481 (13.9)	9,554 (13.5)
Ropes and Cords	- (-)	- (-)	- (-)	1,343 (5.4)	7,636 (17.9)	8,793 (18.9)	15,281 (25.6)

Note: Units in Thousands of EUA; figures in parentheses indicate the percentage of that good that the EEC imports from the ACP.

Source: Calculated from data in: Commission des Communautes Europeennes, Evolution des echanges commerciaux entre la Communaute et les Etats ACP [VIII/373/78-F] (3 Avril 1978); and Importation CEE des principaux produits en provenance des etats ACP [VIII/820/80] (19 Aout 1980).

Manufacturers are regarded by the ACP as the best hope for achieving the diversification and stabilization of their exports that

they desire. There is little encouragement from the performance during Lome I. Although the ACP exports of "manufactures" increased by 106% in value over the five years of the Convention, over 55% of this figure was accounted for by natural uranium and its composites, which the EEC classifies as a manufactured product. A further 21% of the increase was derived from aluminum oxide. Besides these two products, only in the case of ropes and cords was a substantial increase in market share experienced. Modest gains were registered in clothing, leather, textiles, essential oils, and natural hormones; but a loss was experienced in veneers, plywood, vegetable alkaloids and other chemicals.

The Sugar Accord

With the entry of the U.K. into the Community, special provisions were made for associated States whose economies depended to a considerable extent on sugar exports. While a number of ACP countries export sugar,[12] the focus here is on those ACP states for whom sugar is a major export. For four ACP countries, Mauritius, Fiji, Guyana and Swaziland, sugar exports in the years 1972 to 1974 accounted for over 25% of export receipts. For Jamaica they accounted for over 10% during the period. ACP countries were set an annual quota of 1.2 million tons, to be purchased at a price commensurate with the internal Community price under the CAP.

By using the grouping of the above 5 countries, an attempt was made to isolate the effect of the sugar accord on trade with the EEC. The same statistical techniques were used as in the trade patterns

section. Major sugar exporters showed a significant increase in export shares to the EEC. From a pre-Lome I average of 29.1%, export shares increased to an average of 40.6% during Lome I (Table C-108, Appendix C).

For the remaining minor sugar exporting ACP countries (in terms of the share of sugar in total exports), there was no significant change. This is due to the effect of oil export increases diminishing the role of sugar for Bahamas and Trinindad & Tobago. For the minor sugar exporting ACP countries export shares declined from 26.6% to 23.1%, but this was not a statistically significant decrease.

REFERENCES

[1] Petroleum exports account for about 90% of Nigerian exports. The other major export is cocoa, although in recent years it has declined somewhat in importance as an export earner.

[2] The International Monetary Fund, Directions of Trade, Annals 1975-1980, are the main data sources in the tables, unless otherwise noted.

[3] Includes intra-ACP trade.

[4] African, Asian, Middle Eastern and Latin American countries (excluding South Africa) considered by the IMF to be "developing countries". This category excludes those major oil exporters and European Countries which might be considered "developing." Major oil exporters are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, U.A.E., Venezuela.

[5] "Significant" implies "statistically significant".

[6] Kenya, Uganda and Tanzania.

[7] Benin, Botswana, Burundi, Cape Verde, C.A.R., Chad, Comoros, Djibouti, Dominica, Ethopia, Gambia, Grenada, Guinea, Guinea Bissau, Lesotho, Malawi, Mali, Mauritania, Niger, Rwanda, Sao Tome and Principe, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Togo, Tonga, Uganda, Upper Volta, Western Samoa.

[8] Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Western Samoa.

[9] No statistical tests are used.

[10] The 1975 and 1976 surpluses are very small and it is quite possible, if we examine the EEC data, that it will show a trade deficit, since the EEC trade balance with the ACP is calculated as Exports to ACP (f.o.b.) minus Imports from ACP (c.i.f.).

[11] The Hirschman index has been used. It is calculated by squaring the percentages of each commodity, adding them and then taking the square root of the total.

[12] Barbados, Congo, Fiji, Guyana, Jamaica, Madagascar, Malawi, Mauritius, Swaziland, Tanzania, Trinidad & Tobago, Uganda.

CHAPTER IV

EDF/EIB ACTIVITIES UNDER THE LOME CONVENTIONS

The European Development Fund (EDF), the European Investment Bank (EIB) and the Community Budget are the EEC's instruments for transfer of multilateral overseas development assistance and concessional financing. Although technically not part of Lome, the Community Budget has funds set aside for crisis situations such as food aid and emergency relief. These monies can be used at the Community's discretion to assist countries around the world, including the ACP.

This section is divided into three parts dealing with, respectively: 1) Amount, type and administration of EDF/EIB monies; 2) Sectoral emphasis under Lome I and II; 3) Distribution of EDF/EIB funds and relative importance of EDF/EIB monies to the ACP states.

PART 1: AMOUNT, TYPES AND ADMINISTRATION OF AID

This section describes and analyzes the structure and resources of the aid provisions of Lome I, and indicates where Lome II is slated to differ. Unless explicit reference is made to Lome II, all discussion pertains to Lome I.

The EEC disburses its aid through two agencies: the European Development Fund (EDF), in effect a bank account administered by the

Commission's Directorate-General for Development (DG 8); and the European Investment Bank (EIB), an independent institution under the EEC umbrella. EDF money is spent in three basic ways: projects appraised by DG 8; projects appraised by the EIB; and the mixed trade-aid facilities of STABEX and (under Lome II) SYSMIN. The difference in responsibilities between EDF and the EIB is based on sectoral emphasis and method of financing.

Under Lome I the EIB was the main source of finance for industry, mining and tourism[1] "although it could also help finance investment in energy, and other branches of revenue-generating economic infrastructure (e.g. port works, railway modernization)".[2] Under Lome II, these emphases are retained, and energy and agri-industry explicitly added[3] since these sectors are most likely to contain "bankable" projects. EDF handles all other sectors.

The categories and methods of financial assistance are largely the same for the two Lome Conventions. Table IV-1 shows the specific sums, expressed in millions of EUA and as percentages of the total for each of the major categories. The SYSMIN category refers to the new facility introduced under Lome II. Also shown is the EIB non-Convention commitment of 200 million EUA for mining and energy.

Table IV-1

CATEGORIES AND METHODS OF FINANCIAL ASSISTANCE
(Million EUA)

	Lome I		Lome II	
Provided by the EDF:				
1. Non-repayable aid				
a. Programmable grants (see below)	1,905	55%	2,558	49%
b. Exceptional aid (i.e. disaster relief)	150	4%	200	4%
2. Special loans (40 years duration, 10 years grace period, 1% annual interest rate)	444	13%	504	10%
3. STABEX (see appropriate section)	382	11%	550	11%
Covered by the EIB:-				
4. Loans from EIB resources	390	11%	685	13%
5. Interest rate subsidies	100	3%	170	3%
6. Risk capital	95	3%	280	5%
7. SYSMIN	-		280	5%
Total	3,466		5,227	
EIB non-Lome loans for mining and energy	-		200	
Total including extra EIB non-Lome loans	-		5,427	

Sources: - Lome II Dossier, The Courier, Special Issue; No 58, November 1979; Page 32;
- European Investment Bank, European Investment Bank Operations under the Lome Convention; p. 6;
- Report of the ACP-EEC Council of Ministers 1980; p. 116; from Annex 2 of EEC document entitled Project Financing by the European Community in Developing Countries; December 8, 1980.

Commitment of the Lome resources among the various categories of grants, loans, and risk capital doesn't appear to have changed dramatically between the two Conventions. Interest rate subsidies and risk capital consist of EDF funds administered by the EIB. By adding cheap EDF money to a bundle of commercial money, the EIB is able to subsidize interest rates by 3%, and is required to ensure that the interest rate actually borne lies between 5 and 8%. This subsidy does not apply to oil sector investments, wherever located, nor to the mining sector unless located in one of the least developed states, as

stipulated in Article 48.

Risk capital (essentially soft loans), "makes it possible to finance participations or loans to an ACP State or a national development agency which will be used to strengthen enterprises' equity bases".[4] In addition, EEC temporary acquisition of minority holdings may be transferred to ACP nationals or institutions as soon as "appropriate". Risk capital is also available as "quasi-capital aid" — available on a case-by-case basis, at rates no higher than the Bank's subsidized loans — in the form of subordinated or conditional loans. The former are repayable only after higher-ranking loans have been repaid. The latter's repayment terms or length of duration are linked to fulfilment of conditions specified at the time of contract signing, such conditions indicating that the project has achieved viability.

As noted, Lome II's financial assistance system is basically the same as its predecessor's. However, some changes and additions do reflect new emphases.[5] First, the SYSMIN fund (280 million EUA), to be administered by the EIB on the same terms as EDF special loans: 40 years duration, 10 years grace, 1% interest. Second, EIB non-Convention loans, without interest subsidies, may be applied on a case by case basis to projects in mining and energy.[6] Third, administration of aid costs, amounting to some 180 million EUA, and consisting largely of the expenses of Commission delegations in ACP countries, are no longer applied to the EDF; instead, the costs are included in the Community budget. This is a change the ACP group has long sought.

Lome I funds are also allocated on a number of other bases. First, following Article 47, some 10% of total financial resources under the EDF were reserved for regional cooperation, amounting to 300 million EUA. Among the objectives to be furthered by these monies are: (a) acceleration of economic cooperation and development both within and among regions of the ACP States; (b) acceleration of the diversification of ACP economies; (c) reduction in the economic dependence of ACP States on imports; (d) promotion of trade among ACP States; (e) maximization of the use of resources and services in the ACP States.

To these ends, the 300 million EUA have been programmed as follows:

Transport	42.0%
Rural sector	13.2
General	12.4
Technical training and assistance	11.1
Industry, energy	8.6
Telecommunications	4.4
Research	2.1
TOTAL	100.0

Source: K. Focke, From Lome I Towards Lome II, ACP-EEC Consultative Assembly, 1980, p. 38.

At the end of January 1980, 181.6 million EUA had been committed, and 57.4 million EUA spent. The EIB had committed 33 million EUA by the same date.

Some changes in emphasis appear in Lome II. For example, the second Convention seeks to pay more attention to regional cooperation. The EDF contribution has been doubled to 600 million, and 40 million EUA set aside for regional trade promotion projects, underemphasized under

Lome I.[7] A further aim is to strengthen organizations set up by the ACP States to promote regional cooperation and integration (Article 133, 1, *f*).

A second category for allocation is micro-projects. A 20 million EUA programming ceiling had originally been fixed, all was all but reached by the end of 1979. Since then the ceiling has been lifted. Close to 2,000 projects had been approved, with the EDF's contribution averaging close to half the cost: 643 production development operations, 639 social infrastructure projects, 374 rural water schemes, 171 tracks.[8] While Lome II retains micro-projects as a focus of the cooperation effort, it is unclear whether or not specific funds have been programmed to that end.

Other Lome I foci of attention, but without specific funds being set aside for their pursuit, include technical cooperation schemes, especially training and technological adaptation; industrial information and promotion; marketing and sales promotion; specific schemes to help small and medium-sized national firms; and, of course, the major areas of rural development, energy and the like (Article 46). Lome II retains those above, and adds a few others: prospecting, exploration and exploitation of natural resources (though here the EIB's non-Convention monies have bearing); protection of the environment; structural improvement of the productive sectors of the economy; applied scientific research and technology; craft development.

Lome II versus Lome I: Amount of Aid

Article 95 of Lome II specifies EEC financial assistance to be 5,227 million EUA (EIB non-Convention loans for mining projects excluded). Yet in Annex XLIII, the ACP States declare, with respect to Article 95, that they "have in a spirit of cooperation accepted, for the purposes of this Convention, the total amount of assistance of 5,607 million EUA", but wish to record their dissatisfaction as to the adequacy of this amount. Apparently, the ACP negotiators felt that they had secured additional assistance in the sum of 380 million EUA. Furthermore, the second paragraph of the annex re-emphasizes the ACP Group's understanding that EEC assistance will not, in fact, be less than the above-mentioned sum. Nothing to this effect is mentioned in the body of the Convention.

The 380 million discrepancy could only stem from the inclusion in the EEC's aid offer of (a) the 200 million EUA of EIB hard loans for energy and mining, and (b) the 180 million EUA to be spent on donor administrative costs. But (a), as indicated above, is not official development assistance. It is simply the EIB's estimate of the scale of commercial loans it is likely to make in energy and mining over the life of the Convention; an amount that could equally be too high or too low. And (b), the money used for administrative costs, was never really an aid element at all: under OECD Development Assistance Committee (DAC) rules, donors may not count their administrative costs as aid. So their removal from the EDF to the EEC budget does not represent an addition to the overall 5,227 million EUA commitment. However, as will be shown later, the administrative costs of Lome I should be subtracted from its

overall financial aid total in order to get the appropriate comparison with Lome II's commitment.

The Lome sums have been the target of criticism from the ACP. Failure to keep up with inflation and the low per-capita level are the main complaints. Table IV-2 below gives the total amount of resources pledged under Lome I and II and the respective EDF monies. For comparison, the numbers in the second row are adjusted for inflation and, in the last row, for population growth. Administrative costs incurred under Lome I are subtracted.

Table IV-2

RESOURCE COMMITMENTS UNDER THE LOME CONVENTIONS

	Lome I		Lome II	
	Total	EDF	Total	EDF
Current prices:	3,341	2,951	5,227	4,542
Per cent change:			+ 56%	+ 54%
At 1975 constant prices:	3,341	2,951	3,734	3,244
Per cent change:			+ 12%	+ 10%
On real annual per-capita basis*:	3.09	2.73	3.06	2.66
Per cent change:			- 1%	-2.5%

* Using a four year base for both Conventions, and the population estimates cited in Footnote 10 (Overseas Development Institute's) and a 2.5% annual growth rate increase (estimate).

Total resources pledged under Lome II are 56%, larger at current prices than those of the first Convention,[9] and EDF is 54% bigger than under Lome I. It would seem, then, that Lome II provides somewhat more than does Lome I in real terms overall, and a bit less in per-capita terms.

Attention should also be drawn to other, non-Lome, channels for Community aid to the ACP States. Food aid from 1976 through 1979 amounted to 104.4 million EUA,[10] and is slated to rise to at least 300 million[11] between 1980 and 1985. Meanwhile, the Community's contribution to projects jointly financed with non-governmental organizations, coming to 8.9 million EUA 1976-79, should rise to 25 million over the duration of Lome II.

Finally, Lome II (Articles 96-100) provides general guidelines for the co-financing of development projects, i.e. linking the efforts of the Community with those of other donors, both bilateral and multilateral. Under the fourth EDF, the Commission used 20% of project appropriations for co-financing, amounting to 466 million EUA, and leading to 47 projects costing in total 3,200 million EUA. The EIB, in turn, contributed 177 million EUA towards investments amounting to 1,736 million EUA.[12] The major co-financiers were Arab donors (582 million), EEC member states (458 million), and the World Bank (364 million). The Arab share of such funds rose from 14% in 1977 to 20% in 1978.[13]

Quite substantial sums of money are involved in co-financing: 4,293 million EUA over and above the Community's contribution thereto. This is considerably more than Lome I's total aid package. This "multiplier" effect must be considered one of Lome I's larger successes. It would seem that this lesson has not been lost on the authors of Lome II, given the frequent, and specific, references to co-financing throughout the document (Articles 54, 58, 76, 96-100, 125, 133).

Administrative Issues

The institutions and procedures for the administration of financial and technical assistance are basically the same in the two Conventions. But Lome II's provisions are considerably more detailed in an attempt to address some of the difficulties experienced during Lome I. At the start of both Conventions, the Commission, in collaboration with the EIB, participates with each ACP State in the formulation of an "indicative" program for the duration of the Convention. The purpose of this program is to "indicate", or provide guidelines on, where best to concentrate the efforts of development cooperation.

While adjustments may be made to it over the life of the Convention, the indicative program initially outlines the country's sectoral priorities. These priorities provide a preliminary guide for the distribution of funds and the selection of projects in view of certain development objectives, rather than selection solely on a case-by-case basis. Excluded from programmed aid are STABEX, exceptional aid and EIB funds.

Project preparation is the responsibility of the ACP State, which may request Community assistance. Program and project appraisal is to be collaboratively undertaken by ACP and Commission authorities. The execution of projects falls within the ACP State's purview, tendering being open on equal terms to all natural and legal persons of ACP and Community States. Completed project evaluation is to be jointly performed.

ACP dissatisfaction with the structure and application of the first Convention's aid provisions covered a range of areas, some of which Lome II attempts to remedy:

1. The quantity of aid: The ACP group was far from satisfied with the quantity of aid, while the EEC felt it was fairly generous, considering that it, too, was suffering from the world-wide recession. If cold comfort is any comfort, the per-capita allocation under Lome I was 40% lower than under the previous Yaounde II agreement,[14] whereas the decline between the two Lome Conventions was almost negligible. Level of funding aside, all Convention participants recognize that the great virtue of the Lome system lies in the continuity of funding, and in the assurance that the money will be forthcoming.

2. The programming of aid: Some ACP States felt that the programming missions had departed from the injunctions of Article 57 of the Convention, and had imposed their views on the host governments, whose responsibility it was to define their objectives and priorities in the context of their national development plans.[15]

3. Programming follow-up: Another occasionally heard claim, is that several ACP States found difficulty in having the Commission accept additional information on specific projects. Similarly, the Commission is said to have rejected vital technical amendments to already-submitted projects.[16]

4. Slowness in implementing financial and technical aid: Lome I expired on March 1, 1980. As of December 31, 1979 only about two thirds of the EDF had been committed to ACP countries (2,171.9 million EUA[17] out of the 3,466 earmarked for the Fund -- some 63%). Furthermore, not all of the committed funds had been paid by year-end 1979. Payments actually received amounted to only 963.2 million EUA, which represented about half of the committed money, or a third of the total EDF. In sum, not only was less than two-thirds of the Fund committed by the expiry of Lome I, but less than half of such committed monies had been paid.[18]

Lome II attempts to address some of the problems just identified. Article 108 lays out which party is responsible for what aspects of financial and technical cooperation -- programming, project appraisal, etc. Despite further reference to dialogue and participation in the cooperation process, the bottom line -- responsibility for preparing and taking financing decisions on projects and programs -- not surprisingly, remains the Community's prerogative. Additional emphasis is put on speeding up financing decisions through recourse to multi-annual programs or overall amounts for training, technical cooperation and trade promotion schemes, and for micro-projects and other programs where limited amounts are involved (Article 114). To accelerate implementation, decisions on all contracts under 3.5 million EUA -- invitation to tender dossiers, placing of contracts, etc. -- are deemed approved by the Commission or its delegate 30 days after notification (Articles 122, 123 and 128). Lome II also establishes a Technical Center for Agricultural and Rural Cooperation.

Article 108 also provides for an institutional innovation, in the form of an ACP-EEC Committee to be set up within the Council of Ministers, to investigate general and specific measures to improve the implementation of financial and technical cooperation, notably by accelerating and streamlining procedures. One of its tasks is to forestall and alleviate problems in a further Lome II innovation by overseeing the formation of indicative programs and by projecting a provisional timetable covering commitment, implementation and payment.

While the gap between commitments and payments looms large, certain mitigating circumstances need to be mentioned in fairness to both sides. First, some approved projects, particularly in the agricultural sector, take between 5 and 7 years to be executed.[20] That some proportion of such payments may be outstanding is obviously no cause for criticism. Second, generalization about the financing of national indicative programs obscures the differences in local conditions and development priorities among ACP countries.

Third, the Commission finds that most bottlenecks occur at the preparation and implementation, rather than the design, stages of the project cycle — involving administrative and management shortcomings in the recipient country.[21] The inexperience of the new partners to the first Lome Convention in dealing with the EDF's complex procedures, added to the fact that many projects in these states had not yet reached implementation, goes part way towards explaining the gap between payments and commitments. The difference, in this respect, between the former Yaounde Convention members and the new, largely Anglophone, ACP

states appears below:

Table IV-3

EDF COMMITMENTS AND PAYMENTS (Million EUA)

	Commitments at August 31, '79	Payments at Aug. 31 '79	Percentage Paid*
Former Yaounde States and Madagascar:	657	198	30.1%
New ACP States:	761	128	16.8
Total:	1418	326	23.0

* Payments expressed as a percentage of commitments.

Source: Focke, K., From Lome I Towards Lome II, p. 58.

The former Yaounde states, appear to have done better at absorbing aid than the others. In part, their superior performance was due to their greater familiarity with EEC aid administration procedures and to the long lead-time between project conception and implementation; a gap which the formerly associated states have been better at filling owing to the continuity of programming between the two Conventions.

Since the total payments include STABEX monies a note of caution is in order. Since STABEX was designed to compensate the Yaounde countries for their loss of trade preferences, the product choice naturally favored these countries' export composition. Because STABEX is "semi-automatic," financial transfers are somewhat faster than normal programmed aid transfers. Thus, part of the reason for a greater proportion of funds transferred to the ex-Yaounde countries by year-end 1979 is attributable to the nature of STABEX grants.

PART 2: SECTORAL EMPHASIS OF AID: WITH SPECIAL REFERENCE TO ENERGY AND MINING

Table IV-4 below gives a general indication of the sectors on which aid (EDF & EIB ordinary loans) was concentrated over the first four years of Lome I.[22] It should be noted here, but will be explained below, that the table does not give full weight to the emphasis in fact placed on rural development over the course of the Convention. For example, agri-industrial projects, which are rurally based, appear under the "Industrialization" rubric. While this is perfectly legitimate, a rounded picture of the EEC's development effort also requires that the rural-agricultural category receives full recognition.

Table IV-4

COMMITMENTS BY SECTOR AT END OF 1979

	Percent	EUA amounts
1. Industrialization	26.4%	665.0 million EUA
Projects largely energy based	7.9	197.4
Integrated indust & agri-indust*	6.7	169.0
Manufacturing	4.9	123.3
General	3.7	92.4
Extractive industries	1.4	36.7
Agricultural and food industry*	0.6	15.5
Other	1.2	30.2
2. Infrastructure	18.1%	455.1 million EUA
Roads and bridges	14.8	372.2
Railways	1.8	44.5
Ports and inland waterways	0.7	19.1
Telecommunications	0.7	16.8
Other	0.1	2.5

3. Rural Production	17.4%	436.6 million EUA
Integrated agric. projects	5.1	127.5
Plantations	3.0	75.7
Agriculture	2.7	67.6
Hydro-agric. schemes	2.4	60.7
Stock farming	1.5	36.3
General	1.4	34.8
Fisheries	0.5	13.6
Forests	0.2	4.6
Microprojects	0.6	15.9
4. STABEX	12.8%	322.0 million EUA
5. Education and Training	8.0%	201.9 million EUA
Infrastructure#	3.8	95.9
Study and training grants#	3.6	88.8
Other	0.6	15.1
6. Other	5.2	130.6 million EUA
7. Exceptional Aid	4.4%	110.9 million EUA
8. Water engineering, housing and urban infrastructure	3.3%	82.3 million EUA
Village general water supply*	1.3	33.3
General	0.3	7.5
Urban	1.7	42.7
9. Health#	1.8	44.9 million EUA
10. Trade Promotion	1.3	32.0 million EUA
11. Tourism	0.7	16.7 million EUA
12. Blocked Appropriations	0.6	15.9 million EUA
Total:	100.0	2,513.9 million EUA

* To be added to "rural development."
# Part to be added to "rural development."

Source: COM (80) 239 final, Table II.

The way the Commission has broken down its sectors in the above table partially obscures the emphasis its aid effort has placed on rural developments.[23] To the latter it recommends adding: 177 million EUA for agri-industrial projects and food industries, 33.3 for village water supply projects, and 79.3 million EUA for social development projects

directly affecting rural communities (training, health and educational infrastructure). Rural development, in this broad sense, gets a grand total of 726.5 million EUA, constituting 28.9% of all Lome I commitments to the end of 1979. Similarly, subtracting the 177 million EUA above from the Industrialization total, gives 488 million EUA, or 19.4%, with corresponding diminutions in the other sectors mentioned.

The single line item on which most was spent is "Roads and bridges" (14.8%), followed by STABEX (12.8%), "Projects based mainly on energy" (7.9%), "Integrated industrial and agri-industrial operations" (6.7%), "Integrated agricultural projects" (5.1%); and "Extractive industries" way down the list at 1.4%.

Table IV-5 focuses specially on EIB. Given its mandate, there is little surprise to the fact that the EIB's key sectoral emphases during Lome I were somewhat different from those of the Convention as a whole. Though energy receives considerable attention, the largest single-line item is agri-industry.

Table IV-5

EIB FINANCING BY SECTOR AT END OF 1980

Industry	57.5%
Agro-industry	21.2
Mining	8.7
Construction materials	7.7
Chemicals	6.8
Metal production	4.6
Textiles	4.2
Other	4.3
Energy	28.1%
Hydro-electric power stations	15.0
Power lines	10.7
Thermal power stations	2.4
Tourism	3.4%
Other	10.0%

Source: EIB Information No 25, April 1981, p. 10.

Sectoral Priorities under Lome II

Since the signing of Lome II, programming missions to 54 ACP Countries have been undertaken.[24] These missions, in part, help establish the sectoral emphasis of the programmable aid. Indicative programs exclude: (a) funds which may be made available under STABEX or SYSMIN, (b) emergency aid, (c) ordinary EIB loans and (d) risk capital. In Table IV-6 below we compare the sectoral emphases envisaged under Lome II (as exemplified in these indicative programs), with the actual sectoral distribution under Lome I. Sectoral emphases under Lome I exclude non-programmable funds, as explained in this paragraph, as well as "Other", "Overheads" and "Blocked appropriations."

Table IV-6

SECTORAL EMPHASES OF PROGRAMMABLE AID

	Lome I	Lome II
Rural development	41.5%	40%
Transp & communications	29.1	20
Social projects: education, training and health	10.7	10
Industry, Energy & Mining	12.2	8
(Energy and Mining)	(7.8)	(8)
Housing & urban works	3.1	8
Other	3.2	14

Sources: (a): from COM (80) 239 final, Tables II, V and p. 11.
(b): The Courier, No 66, March-April 1981; p. 9.

While instructive, he above table should be used with caution. The two columns of numbers are not strictly comparable. The first column lists proportion of programmed funds actually used in the above sectors during the first four years of Lome I. The second lists these proportions for 54 out of the 60 yet-to-be-implemented Lome II indicative programs. Both may change: The first in the flurry to commit unallocated monies; and the second during later program review, and/or owing to the fact that some 10% of the ACP States are not included in the above aggregates. However, sectoral emphases did remain fairly constant during Lome I's first four years,[25] so the comparison certainly has some predictive value.

It must also be stressed that Table IV-6 compares proportions of programmable, not total, aid.[26] Thus, the sectors on which the EIB concentrates (energy under Lome II, in addition to industry and mining under both Lome I and Lome II) are underweighted. Also, the overall ratios are inflated because of the exclusion of such items as STABEX and

Exceptional Aid. In fact, under Lome I industry does command 19.4% of commitments, or 26.4% if one includes agri-industry. Moreover, since it is assumed that most of Lome II's industrial investment will stem from the EIB's non-programmable funds, the figure for Industry should well exceed the 8% intimated by current indicative programs.

In sum, without trying to solve the issue of whether to place agri-industries in the rural development- or industrial development sector, Lome I concentrates well over a third of its resources on rural development, well over a fifth on economic infrastructure, close to a tenth on social projects (education, health), and somewhere around a fifth on industrial projects -- with less than 10% on energy and mining combined, and perhaps 5% on manufacturing. Lome II would seem likely to follow this mold fairly closely, with some more resources devoted to housing and urban works, seemingly at the "expense" of economic infrastructure (transport and communications).

Energy and Mining

Under Lome I, extractive industry project commitments were small, amounting to only 1.4% of total commitments. Bearing in mind the decline through the 1970's of private investment in mining, this is perhaps to be expected as EEC aid so often follows European private sector activity. So, too, is the decline in the proportion of EIB activity in mining and quarrying as between Yaounde I and II (totalling 52.6 million EUA) and Lome I (43.2 million): from 18.3% to 8.7% of total commitments in each time period.[27] However, EIB activity in mining picked up somewhat in 1979 and 1980.[28]

Lome I appears to have given very low priority to the extractive industries — leaving aside the issue of whether circumstances in the mining industry an in ACP States could have permitted otherwise — with perhaps the beginnings of an upward trend in the last couple of years. Traditionally, extractive industries have yielded a higher rate of return for the life of the mines than other types of investments. That Lome I appears to give low priority to extractive areas is partially because these types of investments are expected to generate handsome returns without overseas development assistance, except perhaps in infrastructure. The EIB has been by far the most active in this sector, committing 29 out of the 37.7 million EUA earmarked up to the end of 1979, i.e. 77%. Almost all of this, 25 million, went to open-cast mining of the Guelb iron ore deposits in Mauritania, of which 80% is to be available for sale to the EEC's iron and steel industry.[29]

Recent EIB projects, extending the period of coverage through 1980, include tin and tungsten ore production in Rwanda, a pilot chrome ore dephosphorizing plant in Madagascar, and the reopening of a gold mine in Upper Volta. A number of pre-investment studies were also conducted.

What is somewhat surprising is the marked declining trend over the course of the Convention in the proportion of commitments made to energy projects. Constituting 15.5% of the total in 1976, energy projects fell successively to 8.3% of the far larger total commitment made in 1977, 5.6% in 1978, and 3.9% in 1979. The average over the four years was 7.85%, the absolute amounts were 68.9, 64.4, 37.4 and 26.8 million EUA,

respectively. However, this trend was quite the opposite of that characterizing the EIB commitment in this area from Yaounde I and II through Lome I: there, the fraction of monies earmarked for energy increased by 6.4%, rising to 28.1%.[30]

Of the EIB's 139 million EUA devoted through 1980 to energy, 74.2 million EUA (53%), went to hydroelectric power stations in Cameroon, Fiji, Ghana, Kenya, Mauritius and New Caledonia. Another 11.9 million EUA (9%) was spent on a thermal, power station burning local coal in Botswana. Most of the remainder was spent on power lines in Nigeria and Barbados.[31] With some minor exceptions, the thrust of the EIB effort in energy investment lay in developing local energy resources with the express purpose of lowering the oil import bill.[32] Conceivably, such projects may be of mutual ACP-EEC interest in indirect ways. For example, the development of local energy sources could remove ACP pressure from international oil and capital markets. Benefits also accrue to the Europeans through stimulation of the demand for energy-saving materials and devices.

By the end of Lome I, the Commission had committed about 60% of total funds directed toward energy cooperation. Commitment of funds within the energy sector, was about 194 million EUA, allocated as follows:[33]

hydroelectric energy	69%
thermal energy	7%
transportation energy	20%
alternative energy sources	4%

Lome II's Additional Aid for Mining and Energy

The inclusion of non-programmable SYSMIN monies (280 million EUA or 5.4% of total Lome II funds) should contribute somewhat to efforts directed at the mining sector. Even though SYSMIN is not designed to add to capacity, but rather to rehabilitate and to protect capacity, its monies, unlike STABEX's, will at least be sure to go into the sector in which there is a production or export earnings shortfall.

Attention is also drawn (Article 59) to the EIB's 200 million EUA in non-Convention loans for mining and energy investment. While not, strictly speaking, part of the Convention, this provision does indicate the somewhat increased concern with which mining and energy matters are now being treated. This 200 million would constitute 3.7% of Lome II's total. Article 59 empowers the EIB to make these loans in projects recognized by both the ACP government concerned and the Community as being of mutual interest.

The Metal-processing Sector

Beginning in 1979, metal-working (production and semi-processing) received some attention, even if amounting to less than 0.5% of total commitments over the four-year span. Almost all of the financing was by the EIB. Two of the larger loans (7.6 million EUA) went to extending and up-dating an aluminum plant in Cameroon. Local hydro-electricity is used for smelting, to keep export prices at competitive levels. A conditional risk capital loan of just over a million was made to Madagascar to build a pilot plant for processing chromium ore.[34]

Again, in its final year of operation under the fourth EDF, the EIB greatly expanded its activity in the metal production area: loans increased from 8.8 million EUA at the end of 1979 to 22.5 million EUA a year later, an increase of 13.7 million EUA or 61% over the previous four years. The major new investments were modernization of a plant in Guinea transforming bauxite into alumina, and improvements to Zambia's cobalt production industry (41).

While modest, these metal production investments may signal the start of a trend similar to the one that suggests itself in the mining sector. It should be noted that all the metal industries being assisted are generally considered as "strategic", particularly cobalt, chromium and tungsten.

PART 3: DISTRIBUTION OF EDF/EIB MONIES

In a contractual aid arrangement between a group of donor and recipient countries, the question of equity of distribution naturally arises. Establishing a standard for a fair and even distribution of funds is not only extremely difficult, but engenders its own debate.[35] One method of "equity of distribution" analysis might employ the notion that the poorest receive the most aid. Yet another might look at per-capita aid to per capita GNP ratio. Clearly there are different modes to be utilized, not all of them possible with existing data.

Several different measures are utilized here: First, the per-capita aid distribution is discussed. Next, the aid to the poorest group is accessed. The relative importance for the ACP of EDF/EIB funds will be reviewed and the bilateral flows between the ACP and the individual EEC countries will also be briefly mentioned as well as U.S. aid to the ACP.

The EDF has broad guidelines for establishing both the geographical and the sectoral distribution of aid. In choosing the recipient countries, 40% of the funds are allocated to the least developed countries. Next, with this initial allocation in mind, adjustments are made on the basis of GNP so that states with a low per-capita GNP are favored. A final adjustment is made by applying a correction to take account of population size. However, this procedure applies only to the programmable part of the fund. The non-programmable parts such as STABEX and funds for emergencies and disasters are not included.

During the operation of Lome I EDF three groups of countries were discernable: 1) the ex-Yaounde states, most of which had been drawing EDF funds for at least twelve years; 2) the countries newly associated with the EEC, previously the Commonwealth states, Liberia and Ethiopia, etc.; and 3) the countries that joined the Convention during its operation, mainly the Pacific Island States. One might expect that in terms of aid distribution the Yaounde countries would be at something of an advantage in processing EDF funds. This familiarity with the workings of Brussels and on-going multi-year projects would seem to favor them with respect to the newly associated states.

Table IV-7 gives a reading of EDF aid per-capita. Here we see the smallest countries receiving a higher percentage of aid per-capita, at the expense of countries with large populations.

Table IV-7

PER CAPITA EDF/EIB DISTRIBUTION FUNDS COMMITTED AS OF YEAR END 1979

Aid Per Capita in European Units of Account

More than 40	30-40 EUA	20-30 EUA	10-20 EUA	1-10 EUA
Fiji	Botswana	Barbados	Benin	Other 18
Djibouti	Comoros	Congo	Burundi	ACP States
Dominica	Gabon	Gambia	Cameroon	
Guinea Bissau		Guyana	Cape Verde	
Kiribati		Liberia	C.A.R.	
Mauritania		Mauritius	Chad	
Samoa		St. Lucia	Ivory Coast	
Seychelles		Sao Tome & Pr.	Guinea	
Tonga		Senegal	Lesotho	
Tuvalu		Surinam	Malawi	
Swaziland		Mali	Niger	
			Rwanda	
			Solomon Is.	
			Somalia	
			Togo	
			Trin. & Tobago	
			Zambia	

Source: Appendix D, Table 1

Several observations about the above table are in order. First, there seems to be no pattern of favoritism based on colonial heritage in the allocation of EDF/EIB funds. As we conjectured earlier, the ex-Yaounde countries indeed seem better equipped to attract EDF/EIB monies than the later entrants. Also, the level of trained manpower, expertise and ability necessary to propose feasible aid projects varies greatly among the later entrants.

Aid Benefits to the Least-Developed, Landlocked and Island Countries

Emphasis on the poorer countries was a Lome goal in aid allocation. Article 48 provides that

> "in the implementation of financial and technical cooperation, special attention shall be paid to the needs of the least-developed developed ACP States so as to reduce the specific obstacles which impede their development and prevent them from taking full advantage of the opportunities offered by financial and technical cooperation".

Of the 59 developing countries party to Lome I, 24 ACP's were classified as least-developed, landlocked and island countries (there are 43 in this category in Lome II).

Although the procedures used in this categorization were somewhat dubious, for purposes of this discussion this measure is accepted as being economically meaningful and as providing an indication of the "neediest".

Table IV-8

THE POSITION OF THE LEAST-DEVELOPED ACP STATES IN TERMS OF COMMUNITY AID (SITUATION AS OF JANUARY 31st, 1980)

	Unit	Least dv. ACP ctrs.	ACP Total	% of Total
1. General factors				
1.1 Population (1)	m of in-habitants	137.7	322.7	42.5
1.2 GNP/head (average)	USD	176	296	-
2. Aid within LOME framework				
2.1 Programmed amounts (2)	million EUA	1241.3	1935.2	64.1
2.2 Commitments under IP (3)	million EUA	929.6	1509.1	61.6
breakdown: subsidies	million EUA	831.7	1215.7	68.4
special loans	million EUA	97.9	293.4	33.4
2.3 Regional cooperation (programmed) (3,4)	million EUA	180.0	300.0	60.0
2.4 Risk capital (commitments)	million EUA	39.9	59.9	66.6
No. of ACP countries affected	number	14	25	-
2.5 Exceptional aid (Article 59)	million EUA	50.2	101.6	49.4
No. of ACP countries affected	number	24	35	-
2.6 STABEX (transfers)	million EUA	185	305.0	60.7
No. of ACP countries affected	number	26	36	-
2.7 European Investment Bank own resources (commitments at 12/31/79)	million EUA	63.8	294.7	21.6
3. Aid outside LOME framework				
3.1 Direct food aid (1976-79 program) (5)	million EUA	104.4	146.6	71.2
incl.: cereals	1,000 tons	330	511	64.6
milk powder	1,000 tons	56	85	65.9
butter-oil	1,000 tons	18	22	81.8
3.2 Conference on International Economic Cooperation - special action (commitments)	m USD	105.8	171.8	61.6
No. of ACP countries affected	number	24	34	-
3.3 Non-governmental organizations programs (commitments 1976-79)	million EUA	8.9	15.7	56.7
No. of ACP countries affected	number	27	45	-

(1) Mid-1978 estimate based on World Bank Atlas, 1979.
(2) Indicative programming amounts for ACP States, not including administrative expenses.
(3) Situation as at 24 April 1980 - IP = indicative programs.
(4) Estimate of resources administered by the Commission.
(5) Estimated values at world prices.

Source: Focke, K., From Lome I Towards Lome II, ACP-EEC Consultative Assembly, 1980, pp. 40-41.

Table IV-8 above shows the position of the least developed group. The generosity towards the LDLI ACP states is evident: They received over half of the EDF monies. The exception to this favored picture is in EIB funding, where the Least-developed group received only 21.6% of the resources. Nevertheless, it appears that the EEC has accomplished its goal as far as favoring the poorest ACP.

Relative Importance of the EDF/EIB Funds to the ACP

The question of the "significance" of the EEC resource transfer is quite subjective since there is no standard with which to judge, except perhaps the percentage of GNP argument put forward by UNCTAD. From the ACP perspective, more would always be welcome.

The amounts of Community aid given in comparison to multilateral institutions and to bilateral aid programs by individual EEC countries provide a suitable frame of reference. However, a few general comments on the relative importance of multi- and bilateral aid are in order first.

Globally, multilateral institutions account for about 30% of overseas development assistance (ODA). The remaining 70% are transferred through individual country bilateral programs.[36] The Community's worldwide share of multilateral aid contributions is substantial and increasing. Aid through the Community compared against other multilateral institution programs has increased substantially. In 1970 EDF/EIB funds[37] share in total multilateral aid from all international agencies was 3.3% and by 1979 that share had risen to over

10%.[38] The size of the Community's aid program is comparable to that of the medium sized donors among OECD countries.[39]

EDF monies represent a significant source of funds for a number of recipient countries as well. Table IV-9 below shows the importance of EDF funds expressed as a percent of total multilateral aid for ACP countries. For a number of countries, EDF aid remained one of their central sources of multilateral funding.

Table IV-9

PROPORTION OF EDF IN TOTAL MULTILATERAL AID FOR INDIVIDUAL COUNTRIES 1975-78

	Over 50%	Over 40%	Over 30%	Over 20%
Number of Countries	6	11	6	2

Source: Appendix D, Table 2

For 25 ACP countries the EDF represented about 20% of their total multilateral aid and for 17 countries over 40%. The countries in the over 40% group are mostly ex-Yaounde countries.

Despite the apparent importance of EDF funds for many ACP states, only a small proportion of the aid given by the EEC countries is disbursed through the EEC, as shown below in Table IV-10. The bulk of the ODA resources flows through bilateral programs, and individual EEC country aid activities are predominant.

Table IV-10

FRACTION OF DISBURSEMENT OF OFFICIAL DEVELOPMENT AID THROUGH THE EEC, 1977

France	7.9%
W. Germany	16.0
Britain	10.5
Holland	7.4
Belgium	14.8
Denmark	5.4
Italy	45.0

Source: EEC Commission data.

While for most countries EDF contributions make up a large portion of their multilateral contribution, a large part of their aid continues to be given bilaterally. With the exception of Italy, nearly 85% of the aid given by EEC member countries is channelled through their individual bilateral programs. These flows are also those which are, strictly speaking, comparable to U.S. bilateral aid to Africa.

Table IV-11

THE IMPORTANCE OF BILATERAL AID TO ACPs FROM EEC COUNTRIES

Percentage of Bilateral Assistance Emanating from EEC Countries

	Over 90%	Over 80%	Over 70%	Over 60%	Over 50%	Over 40%	Over 30%	Over 20%
Number of ACP's	8	5	9	5	3	4	9	1

Source: Appendix D, Table 3.

Table IV-11 above shows importance of the EEC as a donor group: for half of the ACP countries at least 50% of bilateral assistance emanates from the Community countries; for thirteeen countries over 80% of funds come from the EEC. This circumstance is not surprising since most of the ACP countries are former colonial dependencies. It is

instructive to dramatize the continued importance of the European countries (mostly France and the U.K.) in ACP aid flows and to contrast that with the minor role of the United States. The United States donates significant amounts of aid only to Liberia, providing 50% of that country's bilateral ODA.

REFERENCES

[1] ACP-EEC Convention of Lome, (to be cited as Lome I), Protocol 2, Chapter 1, Article 4. It is worth noting that EEC concern with mining investment did not spring out of nowhere into prominence in Lome II.

[2] EIB Information, No. 25, April, 1981, p. 7.

[3] The Second ACP-EEC Convention, (to be cited as Lome II), Article 101, paragraph 2.

[4] EIB Annual Report, 1979, p. 53.

[5] See Appendix table entitled "EDF Structure and Resources" for a detailed breakdown of the financial resources under Lome II.

[6] While it is still the case that EIB subsidized loans cannot apply to the oil sector, they are no longer excluded from mining (Lome II, Article 104, paragraph 3).

[7] Focke, K., From Lome I Towards Lome II, ACP-EEC Consultative Assembly, 1980,

[8] COM (80) 239 final, p. 27.

[9] Total resources pledged under Lome II are 56.5% if the EIB's non-Convention mineral loans are included, and 62% if the costs of administration are also added in.

[10] Focke Report, p. 41.

[11] European Parliament, Working Document 1-559/80 (PE66.230 fin.), p. 53.

[12] COM (80) 239 final, p. 32.

[13] Lome II Dossier, p. 32.

[14] Kirkpatrick, C. H., "Lome II" in Journal of World Trade Law, Vol. 14, No. 4; July/August, 1980, p. 355.

[15] Report of the ACP-EEC Council of Ministers, 1980; p. 120.

[16] op. cit.

[17] COM, op. cit., Table XII.

[18] In fact, see above, the Fund's activities were carried over into, and accelerated during, the period between the two Conventions.

[19] Some 30% of the tenders and contracts for Commission-funded projects had been awarded to firms in ACP countries by year's end 1979 [COM (80) 239 final; Table X]. This compares with about 23%

under the second Yaounde Convention [COM (79) 395 final]; p. 26.

[20] Report of the ACP-EEC Council of Ministers, p. 134.

[21] COM (79) 395 final, p. 19.

[22] The appendix table, entitled Breakdown of Commitments, does much the same, but for each year of the Convention separately, as well as in total. Reference will be made to this table in the body of the text.

[23] COM (80) 239 final, p. 11.

[24] The Courier, No. 66, March-April, 1981, p. 9.

[25] During 1976, aid was programmed as: almost 1/2 to the productive sector, with over 1/3 of the total to rural production; 28% to economic infrastructure; and 15% to social infrastructure — Commission Report to the ACP-EEC Council of Ministers on the Administration of Financial and Technical Cooperation in 1976 under the Lome Convention, COM (77) 111 final; p. 10.

[26] The figures for the latter in respect of Lome I appear in Table IV-4, Commitments by Sector at end 1979, above.

[27] EIB Information, op. cit., Tables 2 and 4.

[28] COM (80) 239 final, Table II, and EIB Information, op. cit., Table 4.

[29] EIB, op. cit., p. 10.

[30] op. cit.,

[31] EIB, op. cit., Table 4 (reproduced in part above in Table IV-5), and pp. 14-15.

[32] op. cit., pp. 14-15.

[33] COM (80) 239 final, p. 9.

[34] Details from COM (80) 239 final, p. 8; and EIB, op. cit., p. 12.

[35] See Wall, David, The Charity of Nations, (MacMillan, London, 1973) and White, John, The Politics of Foreign Aid, (St. Martin Press, New York, 1974).

[36] OECD, Overseas Development Assistance Committee, 1980.

[37] Including concessional financing and STABEX

[38] OECD, pp. 208-210

[39] Ibid, pp. 205-210.

CHAPTER V

THE STABEX SYSTEM: OPERATIONS, ANALYSIS AND CRITIQUE

The need for a STABEX-type scheme stems from the market instabilities faced by primary product producers and the resultant fluctuations in their export earnings. STABEX makes funds available to ACP primary product exporters who experience shorfalls in export earnings. This chapter focuses on the operations of the STABEX system and offers some analysis and critique. Unless it is specifically noted, the discussion pertains to Lome I STABEX operations, called STABEX I. The other operational compensatory scheme is the IMF's Compensatory Financing Facility which is briefly reviewed in this chapter and discussed more fully in Appendix E.

STABEX Product Coverage and the ACP States

STABEX originally covered 12 product groupings and 29 products. It was expanded during Lome I operations and further under Lome II. The products are nearly all primary products in primary form. They were chosen at least partially because of their importance to the individual ACP states. Table V-1 shows the proportion of STABEX products in relation to total exports for the original ACP group. Five countries are dependent for 80% or more of their export earnings from STABEX commodities, nine countries for 60% or more and fifteen countries for at least 40%.

Table V-1

IMPORTANCE OF STABEX PRODUCTS TO ACP TOTAL EXPORTS

Country	STABEX Products Number	STABEX Products Share of Exports	Country	STABEX Products Number	STABEX Products Share of Exports
Bahamas*	0	0%	Gabon	1	32%
Trinidad & Tobago*	0	0	Barbados*	0	0
Fiji*	1	5	Surinam	0	0
Jamaica*	1	4	Mauritius*	0	0
Seychelles*	1	21	Guyana	0	0
Ivory Coast	3	67	Ghana	2	80
Congo	1	42	Guinea Bissau*	1	43
Swaziland*	1	3	Liberia	1	71
Zambia	0	0	Botswana*	1	9
Senegal	1	35	Grenada*	2	41
Nigeria	0	0	Mauritania	1	73
W. Samoa*	2	73	Tonga*	1	50
Eq. Guinea	N.A.	N.A.	Cameroon	3	61
Sudan*	2	65	Comoros*	3	83
Togo*	2	39	CAR*	3	62
Uganda*	3	86	Kenya	2	33
Sierra Leone*	2	15	Madagascar*	2	33
Tanzania*	3	41	Gambia*	1	94
Lesotho*	1	26	Guinea*	3	15
Niger*	2	24	Zaire	0	0
Benin*	1	34	Malawi*	2	25
Chad*	1	69	Burundi*	3	95
Upper Volta*	2	30	Somalia*	1	26
Ethiopia*	2	51	Rwanda*	2	65
Mali*	2	46			

* Least developed, Landlocked and Island Countries.

Source: Focke, K., From Lome I Towards Lome II, Chapter II and Annex.

STABEX is important to the ACP in a number of ways. Products covered under STABEX I account for approximately 30% of ACP export earnings from the EEC. This share increases to almost 50% when petroleum is excluded. Table V-2 shows the principal ACP exports included and not included in STABEX. Clearly, the mineral groups and sugar are the most important of the excluded groups. Sugar is covered by a separate protocol; iron ore is the only mineral included.

Table V-2

ACP PRINCIPAL EXPORTS AND SHARE OF TOTAL ACP EXPORT EARNINGS 1975

(a) Product Groups Included in the STABEX System	
Groundnut	3.1%
Cocoa	6.9%
Coffee	5.5%
Cotton	1.5%
Coconut	0.3%
Palm	1.6%
Hides, Skins and Leathers	0.6%
Wood	4.6%
Fresh Bananas	1.1%
Tea	0.8%
Raw Sisal	0.6%
Iron Ore	3.8%
Total STABEX	30.4%

(b) Other Principal Exports Not Covered by STABEX	
Petroleum	34.5%
Copper	9.5%
Sugar	5.6%
Aluminum	1.8%
Thorium and Uranium Ore	0.6%
Calcium Phosphates	1.4%
Tobacco	0.8%
Pineapple and products	0.7%
Natural Rubber	0.5%
Meat	0.4%
Clothes	0.3%
Manganese Ore	0.5%
Tuna	0.3%
Tin	0.3%
Cotton Fabric	0.2%
Crustaceans	0.2%
Rum	0.3%
Vegetables	0.1%
Gum Arabic	0.2%
Other	11.4%
Total Non-STABEX	69.6%
Excluding Petroleum	35.1%

Note: Product shares of total exports fluctuate considerably from year to year. Coffee's percentage contribution to ACP export earnings tripled in the next two years.

Source: Derived from Eurostat, Analysis of Trade Between the European Community and the ACP States, (Luxembourg: Eurostat, 1979).

However, since eligibility for STABEX funds is decided on an individual country basis subject to a particular product meeting and dependence and fluctuation thresholds, the system did not actually protect 50% of ACP export earnings.

Results of STABEX Operations Under Lome I

Transfers during STABEX I to the ACP countries totalled 375 million EUA out of an overall appropriation of 380 million EUA.[1] The expenditures varied considerably from year to year:

1975:	80 million EUA
1976:	37 million EUA
1977:	34 million EUA
1978:	164 million EUA
1979:	60 million EUA
Total:	375 million EUA

In Table V-3 STABEX transfers for the Lome I period are reviewed on a recipient country basis. Senegal, Sudan and Mauritania were the principal beneficiaries of STABEX transfers. For these three countries, the payments were for groundnut shortfalls, which were primarily the result of drought in West Africa. Mauritania also received substantial payments to compensate for iron ore price declines.

Table V-3

STABEX TRANSFERS 1975-1979

ACP State	Aggregate amounts (in EUA)	Percentage of STABEX
1. Senegal	65,106,389	17.37%
2. Sudan	39,143,441	10.44
3. Mauritania	37,000,450	9.87
4. Niger	22,653,960	6.04
5. Tanzania	20,701,549	5.52
6. Uganda	20,595,453	5.49
7. Benin	20,366,720	5.43
8. Ivory Coast	15,000,000	4.00
9. Ethiopia	14,420,049	3.85
10. Swaziland	13,224,869	3.53
11. Guinea-Bissau	11,288,257	3.01
12. Mali	9,780,903	2.61
13. Central African Republic	7,829,555	2.09
14. Liberia	7,586,943	2.02
15. Gambia	7,514,754	2.00
16. Congo	7,361,677	1.96
17. Chad	7,336,196	1.96
18. Upper Volta	7,261,902	1.94
19. Gabon	6,703,311	1.79
20. Madagascar	5,747,547	1.53
21. Ghana	5,176,408	1.38
22. Cameroon	4,064,981	1.08
23. Sierra Leone	3,977,274	1.06
24. Togo	3,626,614	0.97
25. Western Samoa	2,837,453	0.76
26. Fiji	2,114,947	0.56
27. Somalia	1,932,145	0.52
28. Burundi	1,485,655	0.40
29. Cape Verde	1,206,564	0.32
30. Tonga	1,207,990	0.32
31. Rwanda	608,802	0.16

Note: $1.00 = 1.29951 EUA in January, 1981.

Source: Focke, K., From Lome I towards Lome II.

As would be expected, a number of the countries that received transfers fall into the "poorest country" category and thus received grants. In all, 22 countries were given the STABEX funds with no requirement of repayment. These non-repayable tranfers account for 60% of total commitments. The remaining countries will be required to repay the STABEX funds according to the procedure outlined in Chapter II.

Looking at Table V-4, the commodity allocation of STABEX transfers is rather uneven. In all, 22 of the 33 eligible products covered by the system were involved in transfers. Of this group, six products accounted for 80% of the allocations and eighteen accounted for the remaining 20% of STABEX funds. The reason for this rather uneven distribution appears to have been the disproportionate amount of funds going to payments for groundnuts, groundnut oils and groundnut oil cakes, accounting for 42% of all transfers.

Table V-4

STABEX TRANSFERS BY COMMODITY (1975-1976)

Product	Aggregate amounts (in EUA)	Percentage of STABEX
1. Groundnuts	71,338,766	19.03%
2. Groundnut oil	68,021,513	18.15
3. Iron ore	61,789,536	16.48
4. Cotton	43,359,441	11.57
5. Wood in the rough	38,191,812	10.19
6. Sisal	20,577,410	5.49
7. Oil cakes	16,568,442	4.42
8. Coffee	14,494,289	3.87
9. Raw hides and skins	8,401,983	2.24
10. Tea	8,376,330	2.23
11. Palm-nut and kernel oil	4,940,220	1.32
12. Bananas	2,910,422	0.78
13. Vanilla	2,903,720	0.77
14. Palm oil	2,232,940	0.60
15. Copra	2,163,264	0.58
16. Coconut oil	2,114,974	0.56
17. Cloves	1,139,516	0.30
18. Cocoa	1,057,603	0.28
19. Groundnut oil cakes	1,026,143	0.27
20. Gum arabic	848,489	0.23
21. Sawn wood	696,646	0.19
22. Palm nuts and kernels	626,966	0.17
23. Pyrethrum	608,802	0.16
24. Cocoa paste	463,558	0.12

Note: $1.00 = 1.29951 EUA in January, 1981.

Source: Focke, K., From Lome I towards Lome II.

Not surprisingly, given the unequal opportunity for access to the system as a result of differential product coverage, the distribution of transfers was unrelated to the different levels of development of the recipient countries (measured by per-capita GNP). Table V-5 gives an interesting illustration of this problem. The ACP countries are ranked by income per-capita, by the importance of STABEX products as a percentage of their overall exports, and by the amount and percent of STABEX funds they received. A number of countries in what would be the "middle income" range of African states (300-550 EUA) received 45% of the funds, whereas the poorest half of the group (90-280 EUA) received proportionately less (40%).

Table V-5

DISTRIBUTION OF STABEX TRANSFERS BY PRODUCT AND BY ACP PER CAPITA INCOME

Country	P/C Income EUA	STABEX Products Number	STABEX Products Share of Exports	STABEX Transfers Number	STABEX Transfers Volume 000 EUA	STABEX Transfers Share of Total
Bahamas*	2,960	0	0%	0	0	0%
Gabon	2,320	1	32	1	6,703	1.8
Trinidad & Tobago*	2,000	0	0	0	0	0
Barbados*	1,320	0	0	0	0	0
Fiji*	1,030	1	5	2	2,115	0.6
Surinam	1,000	0	0	0	0	0
Jamaica*	960	1	4	0	0	0
Mauritius*	610	0	0	0	0	0
Seychelles*	570	1	21	0	0	0
Guyana	560	0	0	0	0	0
Ivory Coast	560	3	67	1	15,000	4.0
Ghana	520	2	80	0	0	0
Congo	560	1	42	1	7,362	2.0
Guinea Bissau*	440	1	43	5	11,288	3.0
Swaziland*	420	1	3	1	13,225	3.5
Liberia	400	1	71	1	7,587	2.0
Zambia	390	0	0	0	0	0
Botswana*	360	1	9	0	0	0
Senegal	350	1	35	2	65,106	17.4
Grenada*	340	2	41	0	0	0
Nigeria	340	0	0	0	0	0
Mauritania	320	1	73	1	37,000	9.9
W. Samoa*	310	2	73	5	2,837	[illegible]

Tonga*	300	1	50	4	1,208	0.3
Eq. Guinea	300	N.A.	N.A.	0	0	0
Cameroon	280	3	61	2	4,065	1.1
Sudan*	260	2	65	N.A.	N.A.	N.A.
Comoros*	240	3	83	0	0	0
Togo*	240	2	39	N.A.	N.A.	N.A.
CAR*	210	3	62	4	7,830	2.1
Uganda*	210	3	86	8	20,595	5.5
Kenya	210	2	33	0	0	0
Sierra Leone*	180	2	15	1	3,977	1.1
Madagascar*	180	2	33	3	5,748	1.5
Tanzania*	160	3	41	4	20,702	5.5
Gambia*	160	1	94	3	7,512	2.0
Lesotho*	150	1	26	0	0	0
Guinea*	140	3	15	0	0	0
Niger*	140	2	24	6	22,654	6.0
Zaire	120	0	0	0	0	0
Benin*	120	1	34	12	20,369	5.4
Malawi*	120	2	25	0	0	0
Chad*	110	1	69	2	7,336	2.0
Burundi*	110	3	95	2	1,486	0.4
Upper Volta*	100	2	30	5	7,262	1.9
Somalia*	100	1	26	2	1,932	0.5
Ethiopia*	90	2	51	2	14,420	3.9
Rwanda*	90	2	65	1	609	0.2
Mali*	90	2	46	4	9,781	2.6

* Least developed, Landlocked and Island Countries.

Source: Same as Table V-1

The Europeans euphemistically refer to STABEX as an "unemployment insurance" scheme and as "sickness insurance." The unemployment aspect refers to protection against loss of revenue due to a difficult economic situation i.e., the export markets; the sickness insurance concept refers to production difficulties related to local circumstances. During STABEX I, 30% of the transfers were caused by the economic situation, most notably the 1975 recession in Europe. Whereas 75% of the transfers were occasioned by local circumstances rather than by market behavior, it would seem from these numbers that the ACP have been rather under the weather in the past five years.

Analysis and Critique

There is no doubt that the STABEX system represents a "noble first" for a group of industrialized countries. STABEX represents an institutional recognition on the part of the EEC that fluctuations in export earnings are harmful to developing countries.

Any evaluation of the results of STABEX operations in its first five years of implementation must obviously consider the success of the system in meeting the objectives. According to Article 16 of the first Convention, the system has the aim of "remedying the harmful effects of the instability of export earnings and of thereby enabling the ACP states to achieve the stability, profitability and sustained growth of their economies." This is rather a hefty goal, especially with the limited resources available to the STABEX system.

Accepting the limited size of the funds available to the system, if the objective to directly aid primary producers is to be achieved, there must be some means of assuring that the funds transferred will reach the affected sectors. Originally this was to be determined through signature of an agreement at the time that the transfer was made, which would specify its use. But this provision was bargained away during the course of the negotiations for the first Convention and the resulting Article 20 provides only that: "The recipient ACP state shall decide how the resources will be used. It shall inform the Commission annually of the use to which it has put the resources transferred."

Reports suggest that much less than half of the transfers made during the first years of the system's operation were utilized in the sectors concerned. In the first year 20% of the transfers were used to boost the cash reserves of recipient governments.[2] Ironically, if the EEC Commission were sucessful in ensuring that transfers reached the affected sectors, it would render the system vulnerable to accusation that it was meddling in internal affairs and encouraging the preservation of outmoded production structures.

During the first five years of STABEX operations, the scheme has been the focus of considerable comment and criticism. The following analysis highlights the main areas of the STABEX debate and, where applicable, discusses the European responses.[3]

STABEX Promotes Regionalism

Critics of the STABEX system and, for that matter, of the entire Lome approach contend that it is establishing an exclusive ACP-EEC relationship to the exclusion of the rest of the Third World; a sort of divide and conquer device. By offering the ACP economic advantages such as STABEX, the EEC is fostering a division within the Third World and is discriminating against non-Lome developing areas such as Asia and Latin America.

Little can be said to counter this argument, especially in light of the stated regionalist approach of the EEC embodied in the "Mediterranean policy."[4] With the exception of the ASEAN agreement the EEC does not have special treaties of any significance with other (non-

Lome) parts of the developing world. The community GSP is a limited global scheme. Even the tenets of the ASEAN-EEC accord appear to be of limited strength upon close examination.[5] In discussions with EEC officials, the regionalist stance toward Africa was not only stated policy, but a similar stance with respect to Latin America was suggested for the U.S.

Adverse Effects of Product and Market Coverage

STABEX in Lome I included products accounting for approximately 30% of ACP earnings from exports to the European Community. If petroleum is excluded from the calculation, STABEX covered products accounting for almost 50% of other ACP export earnings. This is not to say that the system actually protected this percentage of total ACP export earnings since eligibility is decided on an individual country basis, subject to a product meeting the dependence and fluctuation thresholds. A number of products were added to the scheme during the course of the first Convention, and as a result of the negotiations for the successor; although some of these are of importance to individual producing states, the only one which figures significantly in aggregate ACP exports is rubber.[6]

Most notable among the excluded products were those covered by the Community's Common Agricultural Policy (CAP). (Sugar and minerals are examined in other parts of this study.). Of the CAP products, the most important to the ACP at the present time is tobacco. It is with CAP products (and sugar) that there is the most direct conflict of interest between Community producers and those in the ACP. For most other ACP

exports the interests of the Community in ensuring supplies, and those of the ACP in stabilizing export earnings, coincide. CAP products thus represent a test case for the Community's professed commitment to help ACP development, a test on which the Community has not performed well. Clearly, from the EEC's point of view it would be difficult to accord to third country producers a guarantee (relating to the volume of production) which was not available to producers within the Community.

In the absence of free access for their CAP products, the most that ACP states can hope for in relation to STABEX coverage is for inclusion of limited quantities of their exports, probably subject to restrictions relating to the season in which they may be sent to the European market. Models exist for this sort of approach. The U.S. employs an import calendar for agricultural products originating from Mexico, allowing entry for Mexican fruits and vegetables when U.S. domestic supplies are unavailable.

Inclusion of Processed Goods

A problem of even greater importance for future ACP development is the failure of the STABEX scheme to include products which have undergone more than a limited degree of processing. Processing of their raw material products is an area in which the ACP states are particularly backward in relation to other LDCs. The failure to extend STABEX to processed products is a deterrent to the ACP countries to undertake the investment necessary to diversify their production to increase the proportion of value added locally, and thereby to reduce their vulnerability to fluctuations in their export earnings. Included

in the present scheme are certain oils -- groundnut, plum, coconut, and niaouli and ylang-ylang; cocoa paste and butter; extracts, essences or concentrates of coffee; leathers; cotton linters; and sawn wood. These STABEX oils are examples of products which have undergone a limited degree of transformation. However, they also represent the entire list of processed products covered by STABEX. At the present time these products do not constitute a significant percentage of ACP exports. Technically, STABEX covers the most important ACP exports -- but this is an instance where a reference to current trade statistics enables the Community to avoid the central issue, which relates to the impact of STABEX on the future development of ACP-EEC exchange. By relying on the current trade statistics as indicative of current ACP needs, the issue relating to long term ACP development and regional policy coordination are effectively ignored.

A pattern emerges such that where there is potential conflict of interest the Europeans are not willing to extend preferential treatment to their less developed partners. Although in numerous chapters of the Convention the Community might profess its commitment to help ACP states in their aspirations to increase the degree of processing of their raw materials exports, it has failed to act as it speaks where there is a threat to Community interests.

STABEX and Possible Incentives for ACP Processing of Raw Materials

As presently constituted, several provisions of STABEX may actually constitute a disincentive to ACP states to undertake additional processing.[7] Not only are many processed products not covered by the

scheme -- for instance wood products (plywood, which the ACP export in some volume, is another "sensitive" industry in the EEC), canned fish, fishmeal -- but an effort to process a product domestically which leads to a reduction in its exports to the Community might be interpreted as trade diversion, rendering the product ineligible for a STABEX transfer. This deterrent might be removed if more processed products were included in the system and the ACP states took advantage of the provision whereby allowing them to request that calculations regarding the eligibility for a transfer be made on the basis of total earnings for a particular product group (rather than on the basis of individual sub-products' earnings). In Lome II the EEC has relaxed the provisions relating to the calculation of reference periods so that where an ACP state starts processing a product traditionally exported in the raw state, the system may be utilized on the basis of a reference level calculated for the three preceding years. But this concession will be of little value until more processed products are included in the scheme.

Disincentives to International Economic Diversification

In its present form STABEX offers an incentive to ACP states to maintain traditional patterns of trade. STABEX is intended to compensate ACP states for falls in earnings from exports to the Community markets -- exports to other destinations are not given the same protection except for those states whose traditional markets lay outside the EEC.[8]

It is charged that these limitations encourage the continuation of a center/periphery relationship with a double negative effect. First,

the ACP states must export to the EEC for the possibility of STABEX compensation. Second, they must export their traditional primary products which maintain the neo-colonial international division of labor.[9]

There is, however, one aspect in which the second Lome Convention does represent an improvement in this area: it allows for the possibility of including within the system an ACP country's exports to another ACP state (subject to approval on a case-by-case basis by the Council of Ministers). Again, the actual trade involved at the present time is minuscule but the importance of the provision lies in the removal of the deterrent effects that the present country coverage has on any ACP aspiration towards collective self-reliance.

The Fairness of Thresholds

In order to qualify for STABEX under Lome I, the export commodity had to represent at least 7.5% of total export earnings (less for the least-developed grouping). In addition, the commodity shortfall had to be at least 7.5% of the reference levels. Both these thresholds were lowered under Lome II from 7.5% to 6.5% (again with lower levels for the least-developed states). With a given threshold firmly enforced, the system inevitably acts in an arbitrary manner — a shortfall of 6.3% in an export whose share of the total earnings of an ACP state is 80% would not be compensated, whereas a shortfall of 6.5% in an export accounting for as little as 6.5% of total earnings would be eligible for a transfer. Large percentage falls in earnings from a minor crop will be compensated, although the absolute sums involved may be small, whereas a

small percentage but large absolute fall in earnings from a major export will not be eligible for a transfer.[10] Hence, substantial volumes of export earnings may be lost without activating the system.

Further, circumstances might arise in which the dependence threshold serves as a disincentive to diversification of exports. This can happen if a country has one dominant export and several other important exports whose contribution to total earnings are roughly equivalent. The introduction of a new export might reduce the percentage share of all exports except the dominant one beneath the dependence threshold. Take, for example, a country for which copper constitutes 80% of exports, and for which three other exports all fulfill the current dependency threshold. The introduction of a fourth minor export would, if all four now had equal shares in total exports, bring all four products beneath the 6.5% dependency threshold. In these circumstances the country's exports would be ineligible for coverage by STABEX -- not only do the four minor products not qualify but copper is excluded from the system. Although these circumstances might be rare, the problem of meeting the dependency thresholds for minor exports is a real one for mineral producers.

It has been charged that heavy dependence on the export of one product which makes other exports ineligible for STABEX transfers may encourage the tendency for these countries to become one-product economies as governments lost interest in other sectors.

A suppression of the dependence threshold (as demanded by the ACP during the renegotiations) or a substantial reduction in threshold

levels would greatly increase the coverage of the system, but would concomitantly increase the risks of export earnings fluctuations for which additional financial resources would have to be provided. Countries currently excluded from the system because of their heavy dependence on earnings from exports of a single mineral would become beneficiaries at a significant cost to the Community.

Clearly the present thresholds cause the system to function in an arbitrary and discriminatory manner, which reduces its value to ACP countries and, often, restricts STABEX's ability to function effectively. Together with the selective list of products covered, the thresholds combine to produce marked variations between ACP states in the percentage of exports to the Community that STABEX covers, and, consequently, in the benefits that they have derived from the system. Calculations in a French government study of 43 signatories (of the original 46) to the Convention show that it is very rare for STABEX to approach total coverage of a country's exports: For four countries, STABEX covered over 75% of total exports to the Community, for thirteen between 50 and 75%, for eleven between 25 and 50%, and under 25% for seven countries. Eight countries had no products eligible for STABEX coverage.[11] As we saw earlier in Table V-5, eligibility for STABEX transfers bears little relation to level of development.

From the Community's perspective, the major advantage of the thresholds is that they limit the cost of the system. The lowering or abolition of the dependence thresholds would involve a substantial increase in transfers. If STABEX were extended to all ACP exports, the Community would likely insist that transfers be calculated on the basis

of net falls in global export earnings. This would reduce its liabilities under the scheme — although its cost would still be much in excess of the present system. A Commonwealth Secretariat study calculated that the existing STABEX resources would be only 36% of the sum required to stablilize the export earnings of ACP countries with respect to all products and to all destinations of each country taken together.[12]

The Effects of Reference Periods

Eligibility for a STABEX transfer is dependent on export earnings falling below a threshold percentage of a reference value, which is the trend value calculated in nominal terms as the average of export earnings from that particular commodity in the previous four years. We now discuss the two principal criticisms that can be leveled at this method of calculation: 1) Rising export prices actually penalize the ACP, and 2) STABEX is not indexed to price changes.

STABEX procedures rule out the possibility of when a rising trend in export earnings is interrupted. This situation might be as serious for a country as an actual fall in export receipts. The basis of this problem lies in the reference value, which does not take into account projections of future earnings (unlike that employed by the IMF for its Compensatory Financing Facility, to be discussed later in this chapter). By computing the reference values as an average of export earnings over the last four years, the expected trend value in STABEX in relation to any shortfall year refers to a time prior to the period in which the shortfall has occurred. Unless one assumes a period of declining world

trade, the method of calculation is unfavorable to the ACP. An advantageous aspect of the present system, however, is the relative ease of calculation. Any projection such as that utilized by the IMF is inevitably discretionary given the inexact science of forecasting trends in export earnings.[13]

The second criticism relates to the failure of the scheme to calculate changes in ACP export earnings in real rather than nominal terms.[14] Indexation of the prices of raw material exports to those of LDC imports of manufactured goods has been a recurring theme in the demands for a New International Economic Order. The ACP position in the negotiations for both Lome I and II was that STABEX should guarantee their export earnings in real terms. Obviously, this would significantly increase the volume of transfers under the scheme, and would probably also raise the costs of administering it. Estimates of the actual sums involved are hazardous given the lack of complete data in the public realm. On the basis of partial data, the Commonwealth Secretariat calculated that for 1975 and 1976, transfers on the basis of real earnings would have been greater than those actually made on a nominal earnings basis by a factor between 3.26 and 5.00. Hence, STABEX transfers made during these years on a nominal earnings basis protected only 20 to 31% of real earnings exports. If coverage had been extended to all ACP merchandise exports to all markets and if transfers had been calculated on a real earnings basis, the cost of the system for the years 1975-76 would have been 17.89 times that actually incurred. While these figures are estimates and serious problems exist as to the calculations and data employed, they do provide some idea of the magnitude of the costs involved in real earnings stabilization.[15]

In an inflationary era the present STABEX system inevitably covers a smaller degree of risk experienced by the ACP states than would an indexed system. If commodity prices continue to rise, each year the unit value of the exports of the commodity in question will tend to rise so that a smaller volume of exports will be sufficient to maintain export earnings at a level in excess of the average receipts during the reference period, thereby rendering the state ineligible for a transfer. This has in fact been the experience during the implementation of the system: the Court of Auditors noted that "the unit value of the exports in the statistics applied was nearly always higher than the reference unit value".[16] This is consistent with the previously noted fact that many of the transfers made during Lome I were the result of local production problems, that is, earnings shortfalls were caused primarily by declines in quantities exported rather than by falls in unit prices.

Statistical Problems and Discretionary Administration

While the STABEX scheme is purported to be largely automatic, the operation of the system in the first Convention contradicts this assertion. In a number of areas the administration of STABEX depends on discretionary judgements made by the Commission.

One of the fundamental problems lies in the data utilized. Since the purpose of the system is to respond rapidly to shortfalls in export earnings, conventional sources of published data cannot be employed because of the time lag between the shortfall occurrence and the publication of the affected members' statistics. Consequently, the

Commission relies on a combination of data relating to imports furnished by the member states and on export data received from various government departments of ACP countries. Reconciling c.i.f. import figures versus f.o.b. export data from the various sources is a problem with which the Commission regularly deals. Where necessary the methods of interpretation used and the cross-checking techniques are not made public but some questionable numbers have been generated. "Cross checking" numbers has taken the form of negotiation with the ACP countries to decide the amount of financial resources to be transferred.

A second area of discretionary decision-making power results from the Commissions' responsibility in insuring that no transfers be given where a decline in the export earnings of an ACP state from the EEC is the result of discriminatory trade policies practiced by the ACP state. Article 19, 4(b) of the first Convention provides that consultations should be held between the Commission and the requesting State "should examination of the total exports of the requesting ACP state show a significant change."

However, "significant change" is not defined. The Commission in its 1975 report on implementation of the STABEX scheme interpreted "significant change" to mean divergence of earnings by 10% in relation to the situation that prevailed during the reference period. Sixteen situations were subsequently defined that might result in significant change in total exports, some of which were beyond the ACP's control.

Experience of the operation of the system in the first Convention has demonstrated the importance of these provisions. Each year the

AD-A109 608 DEPARTMENT OF STATE WASHINGTON DC OFFICE OF EXTERNAL--ETC F/G 5/4
THE LOME CONVENTIONS AND THEIR IMPLICATIONS FOR THE UNITED STAT--ETC(U)
NOV 81 J MOSS

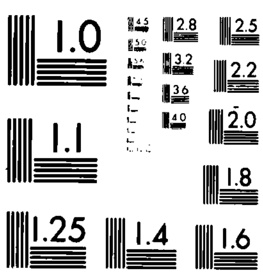
UNCLASSIFIED FAR-251-GP NL

3 of 4
AD
A109608

SIFIED

3 OF 4

AD
A109608



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

Commission has entered into consultations with ACP governments in approximately one-third of the cases in which transfer requests have been made. Frequently, these have resulted in reductions of the transfers made for such reasons as a considerable increase in domestic consumption (Benin, 1977), a devaluation of the local currency (Sudan, 1978) or, most frequently, a decline in the share of production traditionally exported to the Community. In 1978 the Commission established another precedent by reducing the transfer made to Senegal to make allowance for a domestic purchase of the product which had been financed by "exceptional aid" provided under Article 59 of the Convention. Reports by the Commission on the system's operations suggest again that the volume of transfers was more a result of bargaining between the Commission and the ACP state than the application of any rigorous procedure. The only recourse available to an ACP state in the case of a dispute is to politicize it by bringing the matter before a meeting of the ACP-EEC Council of Ministers.

A final area in which the Commission potentially has discretion relates to reductions in transfers in the event of the system's funds for the year being exhausted. Article 18 of the first Convention established that "on the basis of a report submitted to it by the Commission, the Council of Ministers may reduce the amount of the transfers to be made under the stabilization system," but no rules were stipulated regarding the way in which funds should be rationed in the event of a shortage. While some debate ensued regarding what would happen if additional funds were needed, the situation has mysteriously not arisen. STABEX tranfers under Lome I nearly equalled the total funds available; positive responses to ACP requests led to transfers

totalling \$375 million, which is the exact sum originally made available to the system (although an extra \$5 million had been added to the resources when new states acceded to the Convention). No requests were turned down by reason of insufficiency of funds but, curiously, a number of countries did not request transfers when their circumstances would have entitled them to do so. Between 1975 and 1979 Senegal and Ivory Coast agreed to forego or did not claim transfers to which they were entitled. If either of these claims had been submitted, the system's resources would have been exhausted.

Clearly the Commission wields discretionary powers in decision-making and is influenced by factors other than those of a strictly statistical nature which are supposed to determine whether an ACP state meets the technical requirements for a transfer. Thus the "semi-automatic" nature of the system is open to question.

Delays in STABEX Transfers

The last major area of dissatisfaction stems from time lags between requests and approvals, and between approvals and payments of STABEX transfers. Allegedly, the system operates inefficiently in determining whether a transfer is warranted once an ACP has requested one, and, when approved, the speed of payment is inadequate. To put this problem in perspective, it should be remembered that a delay in payments may have adverse effects on producers given the length of the product cycle and the fragile nature of many ACP economies. The Community's court of Auditors estimated that a time-lag of between 6 and 18 months occurs between establishing export earnings losses and payment

of the transfer.[17] Clearly, a six month delay to a needy country is a serious flaw in the system.

The delays are caused by the time required to finalize the export calculations since STABEX generates an "expost" basis, and by the time it takes the Commission, while cross-checking numbers and conducting negotiations, to decide whether or not to grant the transfer.

The average time lag between the receipt of a request and payment of a transfer is presented below in Table V-6.

Table V-6

AVERAGE TIME-LAGS BETWEEN TRANSFER REQUESTS AND PAYMENTS

Year	"No-Problem" Transfers	Share of Total	All transfers
1975	3 months	89.5%	4 months
1976	2.5	44.0	3
1977	4	72.0	7
1978 (Est.)	2.5	75.0	4.5

Source: COM (80) 211 final, p. 8

Apparently, no criticism can be leveled at the Commission for the speed of action in handling requests, but, at most, for not utilizing the provisions for advance payment. Article 19(6) of Lome I allows for advance payment to be made following an ACP state request. The first advance payment was not given until 1978, when Senegal received advance funds as a result of the drought which destroyed the groundnut crop.

Ironically, a good part of the delays experienced in the operation of the STABEX system stem from the ACP's failure to file requests on

time, or as a result of their requests being incomplete or inaccurate.

How the Transfers are Utilized by the ACP States

Originally the Community conceived of STABEX transfers as providing aid to the affected sectors, i.e., the farmers and agricultural sector in general.

> "The Commission's initial view was that there was a close limit between the object to be stabilized (export earnings from individual products) and the need to direct resources transferred to the sector concerned, i.e., the producers (farmers, timber concessionaries....) in order to support production."

However, this link was not maintained due to ACP concerns that the provision threatened their national sovereignty and internal decision-making abilities. Instead, a weak provision (Article 20) requires that the ACP state "inform the Commission annually of the use to which it has put the resources transferred."

Unfortunately the ACP replies to the Commission have been rather evasive. The proportion of transfers used in production, marketing and ancillary services was reported to be 37% in 1975, 20% in 1976 and 51% in 1977.

This is clearly a difficult and touchy issue. In discussing the use of transfer, the Court of Auditors examining the operation of STABEX skirted the issue by saying: "The main purpose of the system is to effect transfers to help stabilize the balance of payments; information on the use to which payments are made remains a purely token

gesture."[18] Essentially the ACP states were left to their own devices as far as the use of STABEX transfers under Lome I.

Lome II specifies that the ACP states concerned shall decide how the transfers are used "subject to compliance with the objectives," of the system, but this does not address the basic problem. There is still no way of ensuring that STABEX funds find their way beyond the government to the needy sector of the economies.

STABEX in Comparison to the IMF Compensatory Financing Facility

In concluding the STABEX discussion, a few comments are in order on the IMF's Compensatory Financing Facility (CFF), the only other operational export earnings assistance scheme. The CFF was established in 1963 and has been liberalized considerably in recent years (1975 and 1979) to help deal with developing countries' balance of payments difficulties. Ideally, the IMF's scheme

> "should enable a member to borrow when its export earnings and financial reserves are low and to make repayment when they are high so that its import capacity is unaffected by fluctuations in export earnings caused by external events".[19]

Accordingly, the IMF scheme covers the aggregate category of "total merchandise export trade," thus excluding trade in services.

IMF assistance extended under the compensatory financing facility is in addition to other forms of Fund assistance: drawings under the facility do not affect the amounts that a member can draw under its reserve tranche or its credit tranches, or under other special Fund

facilities. Under the compensatory financing facility, a member may draw up to 100% of its Fund quota. Charges on drawings are the same as for credit tranche drawings, which, since April 1, 1977, have been 4.375% for the first year, rising to 6.375% in the fifth and last year following a drawing. Repurchases are normally made within three to five years of drawings. All calculations relating to the use of the compensatory financing facility are made in SDR at current prices.

The total quota for the non-OPEC Third World is something over one billion SDR, which would represent the maximum potential drawing in any given 12-month period. However, the eligibility requirements would naturally limit the number of countries actually able to draw above the full amount of their quota.

In order to draw on the CFF, a member's export shortfall is calculated for a 12-month period referred to as the "shortfall year." The shortfall must relate to the most recent 12-month period for which data are available and the drawing should be made within the 6 months following the end of this period.

The amount of the shortfall is measured by the discrepancy between the value of export earnings in the shortfall year and the medium-term trend value of export earnings in that year; the latter is defined as the five-year geometric average centered on the shortfall year. To obtain this, the calculation of the shortfall requires a forecast of export earnings during the 24-month period following the end of the shortfall year. For CFF purposes, a shortfall occurs when the growth rate of export earnings falls in the shortfall year, while an excess

occurs when that rate rises. The existence of a shortfall does not require an absolute decline in nominal export earnings but only a decline in their growth.

The IMF's scheme scrutinizes the members availability to CFF credit with several provisos.[20] A member can draw on the CFF only provided that it has

> "a balance of payments need" [and] "provided that the IMF is satisfied that the shortfall is a short-term one, largely attributable to circumstances beyond the control of the member, and that the member will cooperate with the IMF in an effort to find appropriate solutions for any balance of payments difficulties".[21]

The major differences between the two schemes are briefly sketched below by first discussing the advantages of the STABEX system and next the ways in which the IMF facility is preferable. (For a full discussion of the issues see Appendix E).

First, under STABEX, the financial arrangements are more flexible. The poorest ACP receive payment in the form of grants and even for those countries which are not able to get grants, repayment is in the form of an interest-free loan which only has to be repaid if the position of the export commodity in question improves. On the other hand, IMF money is repayable on a rigid basis. Although countries have a three-year grace period, the repayment has to be completed within five years of receipt of the grant, even though during those years the commodity might get into an even worse position than when the application was made. Hence STABEX is not only cheaper (for the recipient country), but it is also

better molded to the ability of recipients to repay.

Second, STABEX has the advantage that the receipt of payments does not necessarily involve a country in extensive negotiations nor does it affect availability of other Community aid funds. Although, officially, drawing on the IMF's compensatory facility does not affect a country's other relations with the IMF, in practice after drawing on the CFF, access to the ordinary credit tranche is sometimes more difficult.

Third, STABEX money is given without strings. Provided that the country satisfies the requirements of STABEX, it generally gets the money. With the IMF facility, money is given only if the recipient is prepared to accept IMF advice on its economic policy, although the recipient is not required to implement the policy recommendations.

Conversely, the main advantage of the IMF facility is that it is much more flexible in the determination of the amount available. STABEX payments are calculated rigidly on a four-year reference period. This can be very good for the ACP if there is a falling price trend because they are getting reimbursed at the previous higher prices. Of course, the opposite occurs during a rising price trend. With the IMF calculation method the ACP are able to take account of future prospects and to relate the compensation more closely to what the country would get, had the market not worsened. Last, the financial resources available to the IMF are close to 34 times greater than the STABEX monies. The CFF is a sort of large line of credit whereas STABEX is financed from aid monies which are part of the Lome Convention.

REFERENCES

[1] ACP States listed in Article 48 of the Lome Convention and not therefore required to refund payments.

[2] Commission of the European Communities, Second Annual Report of the ACP-EEC Council of Ministers, 1978, and COM(80) 212 Final, April 1980, COM(80) 627 Final, October 1980.

[3] This discussion is abstracted from: 1) Ravenhill, J., unpublished dissertation, "Asymmetrical Interdependence: The Lome Convention and North-South Relations," Chapter 3, entitled, "STABEX and Commodities in the ACP-EEC Relationship"; 2) from other articles cited and 3) from discussions with EEC and ACP officials. For a summary of different interpretations of STABEX see Gunderson, W.C., "The Lome Convention: Liberal and Radical Perspectives."

[4] See Pirzio-Biroli, C., "The Communities Development Cooperation Policies", March, 1980.

[5] See Appendix A.

[6] See Chapter II for a full list of products introduced during Lome I and added in Lome II.

[7] See Rubin, A., "Lome II, the Regeneration of the Lome Convention," The Catholic Institute for International Relations.

[8] Initially the following countries benefited from coverage of their export to all markets: Burundi, Ethiopia, Guinea Bissau, Rwanda, and Swaziland. Later added to the list were: Cape Verde, Western Samoa, Tonga, Comoros, Lesotho, Seychelles, Solomon Island and Tuvalu.

[9] See Green, R. H., "The Lome Convention: Updated Dependence or Departure Toward Collective Self-Reliance?", African Review, Vol. 6, No. 1, 1976.

[10] See Persaud, B., "Export Earnings Stabilization in the ACP/EEC Convention," in F. Long, The Political Economy of EEC Relations, and Kirkpatrick, C., "The Renegotiation of the Lome Convention," National Westminster Bank Quarterly Review, May, 1979.

[11] Berchi, M., "La Stabilisation des Recettes d'Exportation et Taux de Change des PVD", Revue Tiers-Monde, Paris, October/December, 1979, pp. 12-13.

[12] African, Caribbean and Pacific Group of States, "STABEX: A Review" by Rao, S. K., (Commonwealth Secretariat) ACP/i/79, p. 32.

[13] See p. VI-27.

[14] See Cuddy, J., "Indexation: A Missing Link in ACP/EEC Relations?", in F. Long, The Political Economy of EEC Relations.

[15] For a discussion of the problems of indexation see Cuddy, J.D.A., International Price Indexation, (Lexington, Ma, Lexington Books, 1976).

[16] Official Journal of the European Communities No. C 326 (December 31, 1979), p. 217.

[17] European Parliament, Working Document, "Report Drawn up on Behalf of the Committee on Development and Cooperation," Document, 1-698/80, 1981, pp. 14-16.

[18] Op. cit., p. 13.

[19] IMF Survey, September 1, 1980, p. 270.

[20] Ibid, p. 279.

[21] IMF Exchange and Trade Relations Department, "How countries use resoures through tranches, facilities", IMF Survey, January 5, 1976, pp. 2-4. The quotation is from p. 3.

CHAPTER VI

SYSMIN AND THE PROVISIONS FOR INVESTMENT PROMOTION

Several aspects of Lome II reflect growing European concern over long term imported mineral supplies and over the declining role of European capital in developing areas, particularly in the ACP countries. The two issues go hand in hand since mineral exploration and investment in ACP mining sectors bring forth the needed supplies to mineral-scarce Europe. Hence, this section looks at the EEC mineral dependence on the ACP, at declining European investment levels in the ACP and at the measures undertaken in Lome II to deal with these problems.

EEC Mineral Dependence

The European Community countries, while industrially advanced, are relatively resource-poor. They depend on non-European sources for the majority of their supplies of copper, bauxite, phosphates, iron ore, manganese, tin, cobalt, uranium and petroleum. Table VI-1 below indicates the degree of EEC mineral dependence and the extent to which the ACP countries fulfill EEC needs. The remaining supplies come from industrial countries with significant mineral resources: Australia, Canada, the United States, the Soviet Union and South America.

Table VI-1

ACP SHARE IN EEC IMPORTS OF SELECTED MINERALS (1977)

Mineral	EEC Import Dependence*	Total ACP Share in EEC Imports#	Major Individual ACP Suppliers#		ACP Share of World Reserves~
(a) Minerals included within SYSMIN					
Copper	93%	40.2%	Zaire	19.0%	13%
			Zambia	18.1%	
			Papua New Guinea	3.1%	
Bauxite/ Alumina	51%	23.9%	Guinea	9.8%	30%
			Surinam	6.4%	
			Jamaica	5.2%	
			Guyana	2.5%	
Phosphates	99%	18.9%	Togo	13.4%	2%
			Senegal	5.5%	
Iron Ore	75%	19.8%	Liberia	13.5%	1%
			Mauritania	6.3%	
Manganese	100%	36.6%	Gabon	29.7%	16%
			Ghana	7.7%	
Tin	96%	23.4%	Zaire	19.0%	5%
			Rwanda	4.2%	
Cobalt	100%	68.9%	Zaire	42.5%	42%
			Zambia	26.4%	
(b) Minerals Not in SYSMIN					
Uranium	75%	96.2%	Gabon	52.9%	7%
			Niger	43.3%	
Crude Oil	95%	7.6%	Nigeria	7.0%	4%
			Gabon	0.6%	

Sources: * Commission, Europe, Raw Materials and the Third World.
The Courier #52 (November-December 1978).
~ Alting von Geusau, F.A.M., (ed.), The Lome Convention and a New International Economic Order, Table 16, 1974-1975 data.

During the mid-seventies the Commission began to show increasing concern over the security of long-term strategic mineral supplies.

Compounding the problem, European investment in minerals exploration and exploitation worldwide, particularly in Africa, had not been expanding at a pace necessary to meet future demand.[1] European mining companies' expenditures in exploration had fallen from a peak of 57% of overall expenditure in 1961 to 13.5% for the period 1973-75. Expenditures averaged only $110 million annually during the 1960's and 1970's.[2] Yet, the United Nations Center for Natural Resources, Energy and Transportation[3] pointed out in a 1977 study that continued supplies of metals to the industrial countries would require an annual investment of $158 billion at 1975 prices for the 1977-1990 period. Approximately one-third of this, or $55 billion, would be in developing countries. This translates to an average annual investment requirement of $4.2 billion, dwarfing the European mining firms' expenditure levels of about $110 million annually.[4]

The developing countries' share in the total exploration expenditure of European mining companies fell noticeably from the late 1960s to the late 1970s. Black Africa fared the worst: with the exception of uranium, exploration expenditure averaged only $222,000 annually (at 1976 prices) over the period 1974-77 (with no new exploration expenditure whatsoever in 1976), whereas the average was twelve times that amount in the period 1966-73.[5]

Given the European dependence on imported raw materials — a dependence much greater than that of the United States — the Commission was logically concerned at the modest size of mining companies' investment. In sub-Saharan Africa European companies have from colonial times been dominant and the "special relationship" which characterizes

the Lome Convention had been expected to contribute to the easing of worries over sources of supply. Clearly these expectations have not been fulfilled. Given their importance in world supply of metal minerals, the ACP could become more important suppliers in the future. Present ACP mineral production, if directed exclusively towards the European market, could supply 100% of the copper, 75% of the zinc, 33% of the tin, and 20% of the aluminum currently consumed by the EEC.[6]

In May, 1977, European mining companies submitted a memorandum to the Commission explaining the declining trend in investment. Their main complaint was that their investments were being exposed to a:

> "fundamentally new order of political risk. What is new is the manner in which host governments can exploit a mining company's necessary vulnerability (in the early stages of a project when very large funds are immobilized in the mine) to impose major changes in the operating conditions with complete impunity and the general acquiescence of the international community."[7]

The companies went on to assert that it was unlikely that the flow of investment necessary to meet Europe's future mineral needs would be forthcoming unless the investors risk could be reduced. The companies recommended that: governments, preferably on a Community basis, enter intergovernmental treaties with LDC governments, guaranteeing the terms of mining company agreements. These agreements would ensure "equitable treatment for investors," by financial participation in mining ventures, or by providing guarantees for private capital invested and an insurance system against any losses by European investors resulting from political action taken by host governments.[8]

While the Community's Lome II negotiating positions on mineral issues clearly reflected the mining company concerns, they were not able to get the investment guarantees which the companies sought. In addition, the actual amount which the Community pledged in this area, 222 million EUA, is rather meagre, given the above quoted capital shortages. The following discussion reviews the two accomplishments in the mineral area: the SYSMIN scheme and the investment promotion provisions of Lome II. Because the provisions have been in effect for a short time (scarcely a year at the time of this writing), the discussion focuses on an interpretation of the provisions.

SYSMIN

SYSMIN, the mineral production support scheme, was one of the major innovations of Lome II. With the exception of iron ore, the STABEX system introduced under Lome I did nothing to assist those ACP countries principally dependent on the export of mineral products. To some degree, the SYSMIN facility was designed to rectify this omission, but there is no automatic application as in STABEX. SYSMIN covers two broad types of assistance:

1. Project and program aid for the maintenance of production or export capacity.

2. Development of the mining and energy potential of the ACP states.

The two classes of aid are not mutually exclusive. As Article 49 indicates, part of the object of (1) is to further (2): "With a view to

contributing towards the creation of a more solid basis for the development of the ACP states whose economies are largely dependent on the mining sectors..., a system shall be established..."

The stepped-up development and uninterrupted export of ACP mineral products was patently in the interests of both negotiating parties. SYSMIN applies to seven items listed in Table VI-2, providing for assistance in the event of a shortfall in export earnings caused by a decline in the capacity to produce or to export mining products to the Community.

Table VI-2

PRODUCTS AND PRODUCERS COVERED BY SYSMIN (1972-1976)

	Producer country	Dependence threshold (Average	EEC share of exports (Average)
Copper	Zambia	91%	60%
	Zaire	55%	91%
	Papua New Guinea	52%	40%
Phosphates	Togo	59%	92%
	Senegal	18%	54%
Bauxite	Guinea	90%	34% *
Alumina	Jamaica	67%	19% *
	Surinam	70%	29% *
	Guyana	40%	9% +
Manganese	Gabon	15%	32%
Iron Ore	Liberia	69%	74%
	Mauritania	71%	75%
Tin	Rwanda	13%	

* Data for 1976 only
\+ 1976 data for Bauxite

Source: "Main Mineral Exports," Lome II, Analysis Chapter by Chapter of the ACP-EEC Convention, Commission of the European Communities, p. 24.

The aims of the two parties who eventually agreed on SYSMIN were originally very far apart. Even now the ACP states are anything but

satisfied with the outcome; indeed, very different views of the scheme's future are entertained by the two sides. With the exception of iron ore which was covered by STABEX (and which will not pass to SYSMIN until 1984), Lome I cushioned none of the principal ACP mineral exports against price and revenue falls. The ACP negotiators of Lome II drew particular attention to this flaw, especially as negotiations on the Common Fund were bogged down at that time.[9]

The ACP group envisaged, and still hopes for, what would amount in effect to the extension of STABEX to their mineral exports; a scheme, that is, for the automatic stabilization of export earnings.[10] While the EEC says it would have ideally preferred such a scheme, it cites the nature of the mineral markets to be such as to make automatic compensation financially impossible.[11] Frequent mention was also made of the inhibiting effect of the worldwide recession on EEC freedom of maneuver. The EEC clearly implies that the cost of a STABEX-type system would be prohibitive, and that the type and level of aid that has been mustered is the best that the currently disarrayed European economies can manage.[12]

What the Community sought, was the machinery to assist producers in maintaining, and even extending, production and export capacity. What emerged was a financing facility to which application is made for aid on a non-automatic case-by-case basis. At the heart of the issue, from the EEC perspective, lies the political unrest and transport problems endemic to a number of ACP raw material suppliers and, more importantly, the fluid legal context surrounding EEC direct investments. SYSMIN addresses the first-mentioned problems in some measure, but the

matter of investment guarantees got virtually nowhere.

While the negotiating parties were motivated somewhat differently, they did — owing to trade interdependence — have common aims in the development of ACP country mining sectors, and in the maintenance of ACP capacity to export to the Community. In Article 50 there is also a provision for additions, after the Convention has run for a year, to the six products now covered.[13]

The main thrust of the SYSMIN scheme for minerals is remedial: to provide project and program aid to states economically dependent on their mining sectors "in their efforts to remedy the harmful effects on their income of serious temporary disruptions affecting those mining sectors and beyond the control of the ACP states concerned" (Article 49, in Title III on Mineral Products). This is far from "carte blanche," and is quite vague. Only when "practice" puts the "letter" of the Convention to the test will clarification emerge.

Article 52 adds further wrinkles to eligibility: the damage to mining capacity, real or potential, must be such "as to seriously affect the development policy of the ACP state concerned, by seriously compromising the profitability of an otherwise viable and economic line of production, thus preventing it from renewing at a normal rate or maintaining the production plant or export capacity." This concept of damage covers only those products mentioned in the Convention and exported to the Community for which a substantial fall has occurred, or is imminent, in the eligible countries' "capacity to produce, or to export, or to earn from their exports." A "substantial fall" in

production or export capacity is defined as 10%; no such definition is applied to export earnings.

SYSMIN's remedial aspect is supplemented by a preventive or pre-emptive side, in keeping with the EEC's underlying concerns: the expectation of the disruptions mentioned in Article 52 is also grounds for "possible recourse," as is the event or expectation of "a substantial fall [10%] in the production or export capacity....owing to accidents and serious technical mishaps or grave political events whether internal or external." It should be noted that here, again, no reference to export earnings is made.

The prefinancing (Article 55) of projects and programs is permitted, in the service of the preventive side of the scheme, to halt deterioration of the production plant while the project proper is in the process of appraisal or implementation. Such advances, whether in cash or kind, are included in the final financing agreement and do not prejudice recourse to the emergency aid as provided by Article 137.

In order to obtain SYSMIN assistance, affected ACP states must apply to a special financing facility (Article 51) managed by the Commission, funded in the amount of 280 million EUA. One fifth, or 56 million EUA, may be committed each year, with the possibility of including, at the discretion of the Council of Ministers, 50% of the following year's installment in the current year. Except for the final year, balances automatically accrue to the next year. If annual funds are insufficient, "the amounts due shall be reduced accordingly."

ACP states are eligible to apply if the conditions of Article 52 are met, and if, during the preceding four years, at least 15% of export earnings have been derived from the export of a product covered by the Convention. However, the threshold level is 10% for the least-developed, landlocked and island ACP states (Article 55). "The fact that the conditions have been fulfilled shall be established by common accord between the Community and the ACP state" (Article 53). The amount contributed towards the financing of projects and programs, to be jointly examined by the Commission and the concerned ACP state, is decided on the basis of: the nature of the ACP state's proposals; the funds available under the special financing facility; the possibilities for co-financing;[14] the scale of the reduction in production or export capacity and the consequent decline in earnings; the provision that no recipient may receive more than 50% of the funds available under an annual installment.

Aid granted under SYSMIN's special financing facility is to be reimbursed on the same terms and conditions as special loans under the EDF: repayment over 40 years with a ten-year grace period and a 1% interest rate, reduced to 0.75% for the least-developed countries (Articles 106-3).

Chapter 2 of Title III covers the development of the mining and energy potential of the ACP states. All the technical and financial instruments embodied in the Convention can be used to facilitate the exploitation of the ACP states' mining and energy potential. Assistance may take the form of:

a. technical assistance to strengthen the requesting ACP state's scientific and technical capacity in geology and mining;

b. establishment of national or regional exploration funds in the ACP states;

c. financial assistance in the form of risk capital or quasi-capital (under Article 105) applied to research and investment preparatory to the launching of mining and energy projects. Such assistance may be combined with capital contributed by the ACP state concerned and other sources of financing, as laid down in Article 105.

d. EIB assistance from its own resources, up to 200 million EUA for the duration of the Convention, on a case-by-case basis; to be loaned for "mining investment projects and energy investment projects recognized by the ACP state concerned and by the Community as being of "mutual interest."

Finally, mention should be made of Annex VIII, which comprises a joint declaration on the encouragement of mining investment. Though placed in the context of Title IV on the treatment of investments, it is specifically directed towards rectifying the decline in mining and energy activity in the ACP countries. It provides for the Community and the Member States, on the one hand, and the ACP states, on the other, to conclude agreements on "individual projects where the Community and possibly European undertakings contribute towards their financing." This

possibility of tripartite investment agreements, even involving the EEC itself, suggests the seriousness with which the Community views the deterioration in relations between the developing countries and the multinational mining industry.

The Investment Encouragement Provisions.

Ostensibly, one of the major innovations of Lome was an investment security scheme. However, no scheme of investment guarantees worthy of the name was in fact established. The only specific achievment made in this general direction lies in the most-favored-nation clause of Annex IX, the Joint declaration on investments relating to Article 64 of the Convention: Section 1 states that where a bilateral "intergovernmental agreement relating to the treatment of investments" exists between a Member State and an ACP state, "the ACP state concerned recognizes that the right of non-discriminatory treatment of investments" applies to all other Community Members. But the "right" the first section gives, subsequent sections would seem to take away.

This right is clearly meant to apply both to pre- and post-Convention arrangements, and its application "shall be based on bilateral inter-governmental investment agreements which shall serve as reference agreements" (Section 2.a). However, in pre-Convention cases, "the application of non-discriminatory treatment shall take into account any provisions in the reference agreement. The ACP state shall have the right to modify or adapt this treatment when international obligations and/or changed de facto circumstances so necessitate."

Not only does the host country have the right to modify, seemingly at its discretion, the agreement on non-discriminatory treatment, but agreements are to be concluded "in accordance with the law of the ACP state concerned" (Section 4). Moreover, agreements are to cover "disputes relating to investment arising only after the entry into force of the new Convention" (Section 5). And finally, to compound the overall vagueness of the annex, the treatment of pre-Convention investments "shall be examined by the two parties in light of the provisions of the agreement of reference" (Section 6). Small wonder that European investors, particularly in the mining sector, the focus of Community efforts in this area,[15] are less than satisfied.

While Annex IX made little advance in dealing with investment agreements, Title IV on Investments made even less headway. It enjoins the Community and its Member States to try to encourage their companies to participate in ACP industrial development efforts, and to "comply with the development objectives and priorities and the appropriate laws and regulations" of the host countries (Article 60). The ACP states, in turn, are required to promote effective co-operation with the Community and the Member States "or with economic operators or nationals of Member States who comply with [their] development objectives and priorities" (Article 61). Each ACP state must do its best to clarify its priority areas for industrial cooperation and its preferred form of such (Article 62). All parties recognize the importance of investment for development cooperation, "and acknowledge in this respect the need to take such steps as would promote such investment in areas considered mutually desirable" (Article 63). The final article (Article 64) of Title IV is that the Contracting Parties agree to the treatment of investment

provisions of Annex IX.

Attention is also drawn to Annex XI, a joint declaration on Article 82 of the Convention. The article enjoins the Community to attend to the special needs and problems of the least-developed, landlocked and island ACP states. The Annex recognizes that some countries in this group have particular disadvantages "which tend to render them less attractive to investment than other developing countries." Neither the countries, nor the problems, are identified. It is agreed to undertake a joint study to identify what specific measures may be applied to these States so as to enhance their attractiveness to investment.

The Convention leaves much to be desired in its treatment of investment security. Vagueness, generality and self-contradiction characterize its provisions. But it is important to view these criticisms in the light of several considerations.

First, while the ACP states appear to recognize that their capital requirements can only be provided by increased foreign investment, the matter of appropriate guarantees remains highly emotive. The words of the President of the ACP Council of Ministers, Bernard St John, at the Lome II signing ceremony, are instructive:[16]

> "This issue [of investment guarantees], which was advanced by the EEC as a mechanism for attracting investment to ACP states, has been the subject of long and arduous negotiations as more and more it became a mechanism for conferring certain preferential conditions on investments from EEC member States into ACP states.

> We are not opposed to the adoption of instruments to attract investment to our countries, provided the terms and conditions on which we do so allow us to protect our sovereignty and advance our economic well-being. Once, therefore, we judge these criteria to be guaranteed, we shall be disposed to enter into effective arrangements in this domain."

In sum, questions of investment guarantees come up against the still-raw nerve of national sovereignty. However, despite the limitations of the Title on investment, it needs to be viewed within the larger context of the overall promotion of private financial flows — of which investment agreements are but a part. Consult Chapter IV on Financial Cooperation for further discussion on co-financing and boosting of private financial flows; and the previous section on SYSMIN for reference to the proposed tripartite — ACP state, European firm and the Community — financing of mining and energy development projects.

Finally, it is too early to tell whether the basket of measures agreed to in the Convention will amount to being half-full or half-empty in practice. If the former, it is significant that quite a number of bilateral investment promotion and protection agreements (38 signed by early 1979), will become of equal worth to all EEC Members. And this may indeed have a positive effect on the level of EEC investment in the ACP countries. Table VI-3 below lists the extent of European bilateral investment agreements. Germany has been the most active EEC state in pursuing investment guarantee treaties, with the Netherlands and France following in levels of effort. However, it should be noted that these Eur-African treaties are generally vague in substance in comparison with U.S.-sponsored treaties.[17]

Table VI-3

LIST OF INVESTMENT PROMOTION AND PROTECTION AGREEMENTS CONCLUDED BETWEEN THE COMMUNITY MEMBER STATES AND THE ACP STATES

Member State	ACP State	Date of Signing	Entry into Force
Belgium	Zaire	March 28, 1976	Jan. 1, 1977
Denmark	Malawi	March 2, 1971	March 2, 1971
Germany	Benin	June 29, 1978	In ratification*
	Cameroon	June 29, 1962	Nov. 21, 1963
	C. A. Republic	Aug. 13, 1965	Oct. 21, 1965
	Congo	Sept. 13, 1965	Oct. 14, 1967
	Ivory Coast	Oct. 27, 1966	Oct. 6, 1968
	Gabon	May 16, 1969	March 29, 1972
	Guinea	April 19, 1962	March 13, 1965
	Liberia	Dec. 12, 1961	Oct. 22, 1967
	Madagascar	Sept. 21, 1962	March 21, 1966
	Mali	July 28, 1977	In ratification*
	Mauritius	May 25, 1971	Aug. 27, 1973
	Niger	Oct. 29, 1964	Jan. 10, 1966
	Uganda	Nov. 29, 1966	Aug. 19, 1968
	Rwanda	May 18, 1967	Feb. 28, 1969
	Senegal	Jan. 24, 1964	Jan. 16, 1966
	Sierra Leone	April 8, 1965	Dec. 10, 1966
	Sudan	Feb. 7, 1963	Nov. 24, 1967
	Tanzania	Jan. 30, 1965	July 12, 1968
	Chad	April 11, 1967	Nov. 23, 1968
	Togo	May 16, 1961	Dec. 21, 1964
	Zaire	March 18, 1969	July 12, 1971
	Zambia	Dec. 10, 1966	Aug. 25, 1972
France	Liberia	Jan. 26, 1979	In ratification*
	Mauritius	March 22, 1973	Jan. 3, 1974
	Sudan	July 31, 1978	In ratification*
	Zaire	Oct. 5, 1972	March 1, 1975
Italy	Ivory Coast	July 23, 1969	In ratification*
	Guinea	April 20, 1964	In ratification*
	Chad	July 11, 1969	In ratification*
Netherlands	Cameroon	July 6, 1965	May 5, 1966
	Ivory Coast	April 25, 1965	Sept. 8, 1966
	Kenya	Sept. 11, 1970	In ratification*
	Uganda	April 24, 1970	In ratification*
	Senegal	June 12, 1965	May 23, 1967
	Sudan	Aug. 22, 1970	March 27, 1972
	Tanzania	April 14, 1970	July 28, 1972
United Kingdom	None		

* In process of ratification as of October 1980.
Source: P. 41 of source of Table VI-2.

REFERENCES

[1] See for example: Bulletin of the European Communities, supplement 1/75 Communication from the Commission to the Council, "The Supplies of Raw Materials," February 7, 1975, p. 5, EEC Commission, "Communication From The Commission to the Council," Raw materials in relations with the developing countries which export raw materials, Doc. Com (t5). 226. (Brussels, May 21, 1975, pp. 1-3, "The Raw Material Problem: General lines of the Community Approach," The Courier, No. 33 (September-October, 1975), pp. 3-5.

[2] Cited in J. Ravenhill's unpublished doctoral dissertation, "Asymmetrical Interdependence: The Lome Convention and North-South Relations," from Faber, M., and Brown, R., "Changing the rules of the Game," Commonwealth Secretariat Internal Paper (Mimeo, n.d.), p. 1.

[3] Various studies have been carried out in recent years to arrive at realistic requirements of mineral investments. One of the most important is the study done by the United Nations Center for Natural Resources, Energy and Transport in 1977 for the United Nations Panel on Industrial Mining Finance (December 5-8, 1977).

[4] Op. cit., Footnote 2.

[5] Commission of the European Communities, Instruments of Mining and Energy Cooperation with the ACP Countries " [Com (79) 130 final], (Strasbourg, March, 1979), Table 6.

[6] These potential supply capabilities were estimated in Coppers, H., Faber, G., and Lof, E., "European Community's Security of Supply with Raw Materials and the Interests of Developing Counties, the Need for a Cooperative Strategy," in A.M. Alting van Geusau, F.A.M., (ed.) The Lome Convention and a New International Economic Order (Leyden: A.W. Lythoff, 1977, p. 179).

[7] Raw Materials and Political Risk, Submission by 14 European Mining Companies to the President of the Commission of the European Communities, May, 1977, attached as Appendix A to Faber and Brown, op. cit., quotation on p. 3.

[8] Ibid, pp. 10-12.

[9] See European Parliament Working Document Doc 1-559/80, November 17, 1980.

[10] See Annex XLII to the Convention: Declaration of the ACP states on the Scheme for Mineral Products.

[11] See, for example, the speech by Claude Cheysson at the Lome II signing ceremony, in Lome II Dossier, (op. cit.), p. 9. Compare the view of Michel Anchouey, Chairman of the ACP Council of Ministers for the first half of 1979: [SYSMIN] "is surely the first step towards the ACP goal of a minerals STABEX similar to the

classic agricultural STABEX ..." op. cit., p. 20.

[12] See for instance, the speech by Michael O'Kennedy, President of the Council of the European Communities, op. cit., p 7.

[13] The ACP states clearly believe that current coverage is insufficient. In Annex XLII, they refer to "a number of mineral products" which the Community would not include in the Convention.

[14] A key feature of Lome II, see Chapter IV.

[15] See, for instance, European Parliament Working Document 1-559/80; November 1980, p. 63.

[16] As reported in Lome II Dossier, reprinted from the Special issue of The Courier No. 58, p. 5.

[17] See, for example, the U.S. - Egyptian treaty currently under negotiation and the U.S. - Malaysian treaty attempted last year.

CHAPTER VII

THE CENTER FOR INDUSTRIAL DEVELOPMENT: SCOPE AND OPERATIONS UNDER LOME I

Some of the objectives that the first Lome Convention had for industrial cooperation between the EEC and the ACP were perhaps overly ambitious and unrealistic. Title III details various fields and forms in which cooperation is envisioned to take place. These include: contributions to the establishment of manufacturing industries, especially of local raw materials; development of infrastructures connected with industrialization (transport, training schemes, energy, research, etc.); industrial training schemes in the ACP states and Europe; a special emphasis on involving medium and small size firms; measures for providing access to technology and its adaptation to ACP needs; industrial promotion, information and study schemes, and trade promotion measures.

Lome envisions that these goals will be achieved through centralized access to information, direct contact between European and ACP private sectors, training and technology transfer.[1] The instruments supplied to carry out these policies are the Committee on Industrial Cooperation and the Center for Industrial Development (CID). Funds from the European Investment Bank, the European Development Fund as well as aid in the form of co-financing are also earmarked to carry out industrial cooperation programs. Thorough analyses of these latter institutions are found in other chapters of this study. This chapter

focuses on the CID operations and results, while mentioning the other institutions only peripherally.

Scope and Operations of the CID

In the first Lome Convention Title III created the Industrial Cooperation Committee designed to oversee and manage the industrial cooperation efforts of the Convention.[2] The workhorse of these cooperation efforts is the Center for Industrial Development, a "marriage broker" between the European and ACP private sectors. As the Commission quaintly has expressed it, "watching over matching from first consultation to implementation."

The Committee on Industrial Cooperation is the overseeing group, like other "Committees" within the Lome structure. It is charged with:

a. seeing to the implementation of Title III;

b. examining the problems in the field of industrial cooperation, submitted to it by the ACP states and/or by the Community, and suggesting appropriate solutions;

c. guiding, supervising and controlling the activities of the Center for Industrial Development referred to in Article 36, and reporting to the Committee of Ambassadors and through it, to the Council of Ministers;

d. submitting from time to time reports and recommendations that it considers appropriate to the Committee of Ambassadors;

e. performing such other functions as may be assigned to it by the Committee of Ambassadors.[3]

The role of the Center for Industrial Development is to carry out the tasks of industrial cooperation. The CID has the following functions:[4]

a. to gather and disseminate in the Community and the ACP states all relevant information on the conditions of and opportunities for industrial cooperation;
b. to have, at the request of the Community and the ACP states, studies carried out on the possibilities and the potential for industrial development of the ACP states, while bearing in mind the necessity for adaptation of technology to their needs and requirements, and to ensure their follow up;
c. to organize and facilitate contacts and meetings of all kinds between the Community's and ACP states's industrial policy makers, promoters and firms and financial institutions;
d. to provide specific industrial information and support services;
e. to help identify, on the basis of needs indicated by ACP states, the opportunities for industrial training and applied research in the Community and in the ACP states, and to provide relevant information and recommendations.

In pursuing these objectives, the Center for Industrial Development gives particular attention to the following:

i. "concerted" EEC industrial promotion measures aiming at the establishment of new national or regional ACP projects; and

ii. the establishment of ACP "Technology Centers." Such centers would have to play an important role in :

a. the identification, evaluation and preparation of new projects (to a large extent by the help of trainees stationed with the CID);

b. the training of ACP technicians, in projects to be "repeated" in their home countries;

c. the production of spare parts, the maintenance of plant and machinery for affiliated firms and the development of prototypes;

d. sub-contracting for small- and medium-sized industries, using central production facilities on a time-sharing basis, thus reducing their own investment requirements and overhead expenses.

The CID has three departments: one is a department of information and coordination, the second is one of industrial cooperation and trade promotion, and the third is one of training and technological and commercial management.

Results of the Center

The Center did not become operational until January, 1977. It has experienced considerable growing pains because of uncertainties in

interpretation of its role and of where its energies and activities should be focused.

In assessing statistics on Center activities for the first three years of operation (1977-79), two things should be remembered. The first is the duration of time necessary to move an industrial project toward implementation. Promotion, partner searches, and studies must be undertaken before negotiations can even begin. These procedures are time-consuming enough in an established organization, let alone in a new institution. A second consideration is the time needed to build up the Center as an organization and to establish fundamental relationships between EEC and ACP economic operators.

Table VII-1 summarizes the results of CID activities and industrial projects under Lome I. In the three-year time period, out of a total of 378 projects selected by the Center for active support, only 21 had reached the implementation stage by year end 1979, at which stage investment decisions were taken, financing secured, and legal approvals granted. Six of these projects were joint-ventures with substantial participation by EEC firms in equity capital.[5]

Table VII-1

SITUATION AND RESULTS OF CID INTERVENTIONS IN FAVOR OF ACP INDUSTRIAL PROJECTS 1977-1979 (Situations at year end)

Status of Project	1977	1978	1979	Total 77-79
Under implementation	2	12	21	35
Studies completed, negotiations on implementation under way	5	19	30	54
Project under study	5	40	65	110
Project status uncertain	6	37	60	103
Under promotion, search of partners, technology	99	114	96	309
Project abandoned or unviable	10	41	70	121
Project pursued by sponsors w/o CID	14	20	37	71
Totals	141	283	379	803

Source: Roger Theisen, "CID: A Joint Venture in Cooperation," The Courier, No. 60 (March-April, 1980).

The last 15 projects involved an EEC supply of technological know-how and/or EEC plant and machinery including two rehabilitations of existing enterprises and two expansions. Examples of projects undertaken were:

- the establishment in Mauritius of a small factory for weaving crust leather thongs for export; employment is 60 persons, at an investment per job of $ 6,000 only; production started in 1980;
- the expansion of a paper mill in Madagascar, from 11,000 to 18,700 tpa, at a cost of $ 9.3 million;
- the setting up in Sierra Leone of a fishmeal production plant.

Technical assistance, project studies and training projects of the CID between 1977 and 1979 are summarized in Table VII-2. While not terribly impressive, the numbers do indicate increased activity year to year.

Table VII-2

PROJECT STUDIES, TECHNICAL ASSISTANCE AND TRAINING CO-FINANCED BY CID 1977-79
(Commitments, cumulative figures at year end)

	1977	1978	1979	Total 77-79
Feasibility studies and preliminary studies on new industrial projects	7	26	53	86
Rehabilitation or expansion of existing enterprises; short-term expertises	4	12	25	41
Studies on industrial service centers	-	-	2	2
Total no. of studies/ technical assistance	11	38	80	129
On-the-job training (no. of persons trained)	—	—	65	65
In-CID training (experts from ACP countries attached temporarily to CID)	1	5	16	22

Source: Roger Theisen, "CID: A Joint Venture in Cooperation," The Courier, No. 60 (March-April, 1980).

It would be hard to argue that the CID was off to a roaring start, given three years of operation and the rather meagre results. However, evaluating the CID is not a simple matter. For one thing, there is no comparable institution with which to judge it, since this attempt is a first at north-south industrial cooperation.

Difficulty in CID performance to date is compounded by the fact that some aspects of its program (e.g., information dissemination) do not lend themselves readily to quantification. To put the Center's achievements and shortcomings into clearer perspective, it is perhaps useful to list some of the issues surrounding its operation. Of the 379 projects pursued between EEC and ACP nations in 1979, only 37 were

without CID sponsorship. Approximately nine-tenths of EEC-ACP industrial cooperation projects for each of the three years were assisted by the Center. In this time period, the Center placed projects in 35 ACP countries, with an average investment cost per project of two to three million EUA. Of these projects, 70% were related to agro-industries, food processing, building materials, timber and tanning.[6] While it can not be claimed that none of the CID-assisted projects would have been pursued if the Center had not been developed, the statistics nevertheless reflect the large percentage of ACP-EEC industrial cooperation traffic handled by the Center.

In the three years of the CID's existence, EEC businessmen have shown more interest in projects with the ACP conducted by the Center that require them to supply technical knowledge or machinery, rather than those that require them to invest substantial amounts of capital. Their desire for assurances of stability and security in these projects has been the center of a debate over investment protection clauses and guarantees. The ACP countries have responded with concern that their sovereignty and long-range economic well-being would be threatened by such guarantees. They have asked that they be given the guarantees to insure against these types of situations. Aside from a clause in the Lome Convention attempting to ensure a suitable working environment for EEC businessmen, no such guarantees for either side have yet been agreed upon.[7]

Another area of concern is that the ACP states, at their present level of development, might not be able to utilize the Center to a worthwhile degree. Critics of the Center point out that the ACP

countries are essentially nonindustrialized societies, while the EEC is a highly industrialized region. They conclude that, although complementarity of resources for industrial cooperation between the two groups might exist, the different levels of development would create inequality in the actual operation of the system.[8]

Lack of a supporting infrastructure in nearly every ACP state would also prevent effective use of the Center. For example, most ACP states lack a centralized clearing house to handle industrial project proposals, incurring a risk that the same, or a similar project proposal, is given to several aid organizations. These several organizations then contact the same Community industrialist about the one project. The resulting confusion and lack of confidence on the industrialist's part lessens the chances of the project reaching the negotiation stage.[9]

Beyond the debate over investment guarantees, the European private sector, too, has expressed doubts about the feasibility of extensive use of the Center. It questions whether European technology can be adapted to meet ACP needs. For this reason, and for reasons related to problems in management of their own companies, European industrialists want to limit the number and type of ACP personnel that are trained in European factories. They prefer that technological training take place in ACP factories and institutions.[10]

While the CID's project feasibility studies and direct contact between the private sectors of the ACP and the EEC are cornerstones of the Center's work, these features have met with stiff resistance from

Europe's business and technological consultants and consulting firms, who claim that the Center provides a service for free and diverts business from consultants. Although this claim is generally true, some CID-sponsored projects are held up just because cautious EEC companies insist on doing their own feasibility studies first. The support for the CID by EEC and ACP governments is well and good, but it is the industrialists who must take action and implement projects.[11] The private sectors of both the EEC and the ACP nations are the engine that drives the Center. However, the private sectors of the less developed and less organized ACP may have difficulty holding up their end.

In a general sense, the European private sector has shown conflicting attitudes toward industrial cooperation with developing nations. On the one hand, such cooperation is seen as a way of forming closer ties with ACP countries and as a security guarantee of raw materials supplies. On the other hand, transferring vital parts of its technology to ACP countries could weaken Europe's leverage with these states and in the long run reduce the market for European goods.

The Center has received criticism from the ACP side as well. ACP countries maintain that some provisions of the Lome Convention stress the Western development model, with emphasis on growth in the private sector. Private sector growth in these countries at this time could inhibit growth of the state sector. Moreover, like the European industrialists, ACP nations fear that European technology cannot readily be adapted to the needs of developing nations. Closer industrial cooperation could carry with it a concentration on European investment over other possibilities and limit an ACP country's choice of

technologies.[12]

The EEC's emphasis in Lome II on appropriate technology and on smaller, indigenous enterprises could, if taken far enough, set some of these ACP fears to rest. However, the Center would have to give this area more emphasis and try to harmonize its efforts with other facets of Lome's cooperation policy, e.g., with types of projects funded by the EIB and the EDF.

The EEC officials appear to hold considerably different views from the ACP on the orientation of the Center. The Community feels that the Center's role should be limited to promoting cooperation to assist import substitution by ACP states, whereas the ACP wants to foster export substitution expansion, such as textiles. Since the Community controls the funding, the Center naturally has been sponsoring projects that don't threaten Community interests.

Concern over funding also affects the ACP representatives' insistence that, if the objectives of the industrial cooperation are to be achieved, then a Fund for Industrial Cooperation must be established which would directly finance projects. Since the CID is the only jointly-administered institution in the Lome relationship (until the creation of a Technical Center for Agriculture and Rural Cooperation in Lome II), a Fund for Industrial Cooperation would be putting monies directly into the hands of the ACP. Naturally, the Community's response to this proposal has been less than enthusiastic. In order to complete the Lome II negotiation, a token gesture was made when the Community agreed to appoint a group of experts to study the matter.

Perhaps the final determinant of the Center's success will be the amount of financial support given to it by the Community. A project such as the Center for Industrial Development is a grander and more centralized project than any previous industrial cooperating effort. CID funding has been far too limited to signify any meaningful European commitment to world industrialization. Approximately 5 million EUA was allocated for the CID during the Lome I period. These funds were drawn from the EDF's general aid commitment and are clearly a paltry sum for such a major endeavor.

The CID Under Lome II

The Center has renegotiated the Lome II Convention with two new provisions: 25 million EUA taken from resources earmarked under Article 133 for regional cooperation project financing and an expanded information and research scheme.[13]

It became apparent in the first three years of the CID operations that the funds available were far too limited to encourage any significant industrial cooperation attempts. It was soon obvious that trade promotion, technology transfer and adaptation, training and industrial promotion campaigns involved large sums of money.[14] However, the increase in funds allowed the Center under Lome II may not approach the needed amount. At the signing of Lome II, H. Bernard St. John, President of the ACP Council of Ministers, said:

> "...Probably the greatest fear of the ACP is the lurking danger of enduring another five years with a chapter on industrial cooperation which could find itself devoid of operational content due to lack of adequate financial resources..."

With regard to research and information, Lome II incorporates the areas covered under Lome I and adds new areas of emphasis. It seeks to emphasize the possibilities for processing selected agricultural and mineral raw materials in the ACP countries, especially in food-processing,[15] and the Center has initiated a survey to identify such projects. Tanneries in Kenya and Swaziland, soda ash production in Botswana, tin ore smelting in Rwanda, cement works in Cameroon and Zaire, and a textile factory in Tanzania were all identified and negotiations were initiated as a result of its findings.[16]

REFERENCES

[1] Commission of the European Community, "The Lome Convention and the Evaluation of EEC-ACP Cooperation," Information Memo (July, 1978), p. 19.

[2] The Committee on Industrial Cooperation is an intergovernmental body made up the nine EEC member states, the Commission, the EIB, as well as representatives of 15 ACP states (see Article 35).

[3] See Lome I, Article III.

[4] See Lome Convention, Article 36 and Commission of the European Communities "Industrial Cooperation and the Lome Convention," Information Memo, July, 1981.

[5] Theisen, Roger, "CID: A Joint Venture in Cooperation," The Courier, No. 60 (March-April, 1980), pp. 110-112.

[6] Ibid., p. 110.

[7] St. John, H. Bernard, "The groundwork of our continued cooperation in the 1980's," The Courier, No. 58 (November, 1979), p. 64. Lome I created a quasi most-favored nations clause for bilateral investment treaties.

[8] Anysima, Joshua C., "Industrial Cooperation in the Lome Convention," in von Geusau, Frans in The Lome Convention and a New International Economic Order, pp. 91-99.

[9] Theisen, "CID: A Joint Venture," p. 109.

[10] Frey-Wouters, E., The European Community and the Third World. Praeger (New York, 1980), p. 63.

[11] Huybrechts, Andre, "Definitions and Orientations of Industrial Cooperation," The Courier, No. 33 (September-October, 1975), p. 23.

[12] McRobie, George and Carr, Marilyn, "Alternative Technology: A Critical Choice For Developing Countries," The Courier, No. 47, (January-February, 1978), pp. 65-69.

[13] ACP-EEC, The Second ACP-EEC Convention Signed in Lome on October 3, 1979, The Courier, No. 58 (November, 1979), p. 21.

[14] Frey-Wouters, op. cit., p. 61.

[15] Pirzio-Biroli, Corrado, "The European Community's Development Cooperation Policies," unpublished paper, March, 1980, p. 17.

[16] Frey-Wouters, op. cit., p. 60.

CHAPTER VIII

IMPLICATIONS OF THE LOME CONVENTIONS FOR LONG TERM ACP-EEC ECONOMIC RELATIONS

This section will integrate and summarize the results of the foregoing sections and discuss them in the context of long-term EEC-ACP economic relations. There are concrete areas in which Lome directly reinforces European economic hegemony over the ACP. Lome's trade, aid and commodity support system function as a package. While no one component is particularly significant, put together they form a coherent whole. The analogy could be drawn with an automobile, each part immobile when looked at separately, but driving when assembled.

In much the same way each component of the Lome agreement is not particularly impressive — the trade provisions are of questionable benefit, STABEX has limited funding as does SYSMIN, and the CID is structured to be fairly ineffective. However, assembled, they function to foster Eur-African economic interchange.

Trade

The structure of ACP-EEC trade, in the words of a Community-sponsored report, still "retains most of the features of colonial times." The trade pattern remains one of primary product and industrial product regional exchange. ACP states continue in their role as exporters of raw materials with little or no value added, except for

petroleum. The Europeans, for their part, have maintained their hegemonic position, albeit with a diversification of industrial good suppliers. There is evidence that this position has been maintained at the expense of the United States although it would be difficult to argue that Lome is the sole cause of this, since historical, geographical and cultural links between the two regions reinforce each other over time. To some extent, continuation of these existing trade patterns was anticipated since Lome by itself could hardly be expected to initiate a transformation in ACP export composition.

Still, the Lome trade provisions appear to be carefully structured to maintain the existing pattern, despite press releases to the contrary. While the Community might boast that there is 99.5% duty-free access for ACP products, this analysis has laid that assertion rather bare. Instead we see a system that allows for duty-free access of ACP goods, most of which would enter duty-free in any case. The ACP states are not economically advanced enough to seriously take advantage of these preferences, whose meaning thus becomes rather academic. Free access to the Community was given willingly as long as there was no significant conflict between the ACP exports and European interests. Where a conflict occurred, as with sugar, rum, and with certain other CAP products, exception to the principle of free access were written into the Convention.

The rigidly constructed Rules of Origin make it difficult for ACP states to attract non-European investment, for assembly, manufacture and the like to export to Europe. Investment in import substitution might prove viable in a few ACP states such as Nigeria and Zimbabwe. In most

cases, however, large-scale investment in the ACP states for other than export would be non-economic since the markets are so small and transportation and distribution systems are quite limited. The possibility for investors to use the ACP states as a spring board to enter the Community market is diminished because of the rigidly constructed Rules of Origin. It is more likely that EEC investors will fulfill the value-added requirement of these rules since they would be more likely to utilize inputs originating in the EEC-ACP customs area. Hence, the Rules of Origin tend to increase European investor presence, to the limited extent that there is investment.

Even when a country can attract investments, the fruits of which fulfill the necessary EEC criteria, the next obstacle appears in short order — the safeguard clause.

The safeguard clause has not yet been invoked by the Community only because of self-restraint agreements between the EEC and certain ACP states. Thus, for example, in the second half of 1979 the Community officially informed Mauritius that if it did not cut its exports of textiles to the EEC by 50% in 1980, the Community would be obliged to invoke the safeguard clause. In this instance the ACP exports are of marginal importance since ACP textile exports to the Community represent only 1.8% of total Community textile imports! One can only imagine how the Community would react if some more significant interests were involved. By threatening to use the safeguard clause, the EEC effectively demonstrated its unwillingness to treat ACP exports of "sensitive" products in a manner different from those originating in non-ACP non-preferred states. However, this is only a warning signal.

The implication for potential ACP investors is ominous. Effectively any potential investors cannot be assured of EEC market access, if there is a possibility that such exports might adversely affect European interests.

Although it has been argued that during Lome I the ACP became more dependent on Europe, if trade deficits are any indication, the previous analysis brought out at least one positive trade development from the ACP perspective: diversification of their export markets away from the Community. This lessened dependence on the EEC as an export market is a significant departure from historical patterns and is bound to be beneficial to the ACP.

EDF/EIB

What of the reverse side of the coin, EEC exports to the ACP? Here we have seen the Community maintain its position as supplier of industrial and manufactured goods to the ACP. Lome assists European trade with the ACP in several ways. First, the automatic granting of most-favored nations status for the EEC under Lome reinforces their position, to the extent that non-most-favored nations suppliers might be in the game. More importantly, the European business community directly benefits from the EDF/EIB financial commitment to the ACP. Most EDF/EIB work, supply and technical cooperation contracts are given to Community firms — nearly $1.2 billion under Lome I EDF. This is the first step in a series of advantages for the EEC business community: Having received the contracts and supplied the needed reasons, the Europeans are in a better situation to obtain future contracts. Naturally, when

it comes to replacement parts, technical assistance and the like for projects which they have constructed, the European firms have enjoyed a preferential treatment in winning new commitments from the ACP. The aid and future purchase relationship is thus established and reinforced. Over the years (there have been four EDF funds since the Treaty of Rome) this process has built and reinforced commercial relations between the two regions, spawning continued demand for imported European manufactures. Naturally, it is difficult for non-EEC firms to break into this aid/trade circuit without considerable effort and without a bilateral aid commitment on the part of their governments. In a less cynical light, the Community's financial commitment to the ACP is impressive. As has been pointed out, EDF/EIB funds make up a substantial portion of a number of African state's multilateral aid contributions. The total Lome commitment thus far, almost 9 billion EUA, is the size of a small OECD donor country and cannot be overlooked as an incentive for continuation of the Lome Convention. The importance of EDF is especially significant to poorer ACP states. Although, like many other multilateral and bilateral aid programs, EDF/EIB funds have failed to keep pace with inflation, they are spending monies nonetheless. Hence the ACP will likely continue to expect these funds, whether in a Lome arrangement or in a trade/aid relationship. Taking this a step further, it is this author's contention that the Lome aid funds will be one of the key factors keeping ACP in the Lome arrangement as the trade provisions become less and less effective.

From the European perspective the EDF funds, while substantial by aid standards, represent a rather low cost method of keeping the ACP states satisfied. It is cheaper to give aid than to grant significant

trade preferences in sectors where the ACP could excel, such as in farming and textiles. By giving handsome aid sums, the Community effectively buys off ACP complaints concerning the lack of meaningful trade provisions. The "trade not aid" slogan of the Lome accord should perhaps be read in reverse.

STABEX

STABEX has been continuously paraded as the most original aspect of Lome and as a manifestation of the Community's commitment to the new international economic order. It is a laudable beginning and has retained much of the ACP support originally manifest, but it does so partly because of the lack of alternatives, with the IMF scheme being the only other operational system, and of quite a different nature at that.

STABEX does not directly address the many problems to which primary product exporters are exposed other than short-term foreign exchange shortages. Even here the approach is patch work. It is doubtful if the final impact on the ACP so far has been significant. Small, infrequent financial transfers are of dubious lasting effect. STABEX's other inadequacies and limitations are numerous. Its selective product coverage limits its effectiveness. Confining the product coverage to materials which have undergone none or only limited processing serves as a disincentive to ACP states to diversify and to attempt more value-added production. Its failure to cover export earnings from exports other than those designed for the Community limits ACP flexibility and serves as a built-in incentive for the ACP to

continually attempt to expand trade with the EEC. (Exceptions to this criticism, of course, are states whose traditional export markets are outside the EEC and states that are allowed some intra-ACP trade under the relevant Lome II provision.) The reliance on nominal rather than real values serves to further reduce the financial significance of the already modestly sized STABEX fund.

The limited advances in Lome II made by the ACP toward improving the STABEX system signal again the lack of commitment on the part of the EEC to significant ACP economic diversification and development. Future ACP attempts to correct the system's weaknesses where it involves EEC sacrifice or conflict with internal interests are not likely to be successful. Because of conflicts with the CAP, sizeable increases in the system's product coverage are unlikely. Expanding the system to include minerals is too costly and the Community fears it will be open to manipulation by multinationals. Expansion of the system's coverage to include export earnings to non-EEC markets is a rather remote possibility. In addition to the costs which the EEC is not likely to bear, its stated regionalist development policy and the "privileged relationship" between the ACP and EEC seem predicated on Community responsibility within the Lome context only.

Finally, an improvement of the system to cover the real value of export earnings is not in the cards either. From the EEC's perspective it would be a costly modification and would set an undesirable precedent in the North-South arena, Brandt Commission recommendations or not.

Since no significant changes in STABEX are likely in the long term, the system will remain of limited impact. Nevertheless, along with the EDF/EIB programs, it is not likely to be deserted by the ACP, as long as the EEC is willing to offer it. While not the most that the ACP could hope for, continued operation of these systems is better than the alternative.

Investment Promotion and Mineral Production Safeguards

The EEC's concern over declining investment levels in the ACP states (particularly in the minerals area), is well founded. The main reasons for the cautious attitudes of investors are non-economic risks, such as political instability and fear of nationalization; these fears are very real and likely to remain so. This study is not within the political arena but there is a substantial body of opinion predicting that continued political upheaval is likely to be the norm, not the exception, in a number of ACP states for the foreseeable future. Given that few African states are the sole sources of key minerals, exploration and investment will naturally take place in less unstable, mineral rich countries outside Africa, before it expands in Africa itself. Even the presumed imperative created where ACP states are the major or near sole source of key minerals has not yet induced investor response.

Ultimately, investor's fears can only be overcome by reducing the risks through subsidies, large subsidies, which will spell reduced losses if the "non-economic" risks become political realities. Although a true economist would perhaps argue that in the long run, prices of the

scarce minerals and fuels will rise to reflect their limited supply, and thus render the investments more attractive, this scenario, too, has problems. Higher prices will have dislocating effects and, while they may initiate new investment despite political risks, the necessary one to ten years lead time from minerals exploration to production and export is substantial.

Lome monies are nowhere near the amounts necessary to seriously subsidize the mining industry. The Lome investment encouragement and mineral production provisions, even in their sum total — subsidies, concessional financing, risk capital and SYSMIN — are a paltry amount in comparison to the billions required for mineral exploration and investment over the next decade.

The difficulty which the Community experienced in forging a common policy towards the ACP in investment guarantees and minerals reflects real differences within the Community states over the approach that should be taken to deal with this common scarcity. Compounding this, most of the European countries operate investment promotion and guarantee schemes bilaterally and are not willing to commit additional financial resources to a Community scheme. Of course, the question became somewhat academic since the ACP states, fearing infringement on their national sovereignty, refused to cooperate in any meaningful investment guarantee scheme.

The existing investment promotion mechanisms in Lome II and the weak commitment of the ACP towards this quasi-multilateralization of bilateral investment treaties are not likely to lure significant amounts

of European capital into the ACP states.

SYSMIN, the mineral insurance scheme, is mainly remedial. The scheme reflects the EEC's concern over security of supply of raw materials and is designed to maintain ACP production and export of minerals to the Community market. SYSMIN's focus is on the continuation of production ability of ACP states (mainly Zaire and Zambia) in the face of aging plant and equipment, and, most importantly, potential political disturbances affecting supply. The scheme lacks the best features of STABEX and incorporates an element of Community discretionary control stronger than in other aspects of Lome. Moreover, the scheme is also woefully lacking in financial resources, immediately limiting its effectiveness.

The Center for Industrial Development

It would be rather naive to take the Community's commitment to ACP industrialization seriously. Lome I's chapter on industrial cooperation was inserted at the request of the ACP and, by the Community's own admission, lacked substance. The then Commissioner for Development, Claude Cheysson, acknowledged that these provisions "lacked operational content."

The Center for Industrial Development was the centerpiece of Lome I's industrial cooperation effort. It was conceived of essentially as a liaison between governments and entrepreneurs within the ACP states and the European business community. Inherent in its conception is the idea that the European private sector will bring industrial expertise to the

ACP. The Community considers the Center's role to be limited to promoting cooperation to assist import substitution by ACP states. Unfortunately such a body so empowered does not address the problem of industrial cooperation.

In order for an industrial cooperation policy of any merit to evolve between northern and southern states, there must be a recognition of the problem, and acceptance of the fact that solutions will not be painless. The industrial relocation costs inherent in any meaningful industrial adjustment policy are significant and require a serious financial commitment to assist industries in transition.

Instead, the EEC's red flag shot up when the possibility of minor internal Community displacement appeared on the horizon. There is no coherent policy within the Community to deal with the future problems to be faced as Mashreq and Maghreb countries develop the ability to export more sophisticated products, let alone the ACP. On the level of individual countries, several states (Denmark, Netherlands and Germany) have begun dealing with the question to a limited degree; the Community has not, although it is aware of the problem.

An issue related to industrial cooperation is the noted tendency for EDF aid under Lome I to focus more on human needs and infrastructure, somewhat to the neglect of manufacturing and related productive projects. Perhaps this is further evidence of the EEC's lack of commitment to industrial policy.

The results of the CID under Lome I were rather limited. For starters, the CID didn't go into operation until 1977 and its funding was extremely limited. Under Lome II an attempt was made to beef it up and give it some direction as well as an increased financial commitment. No doubt the new CID will put more deals together and will foster limited technological transfer but it is not likely to gain much momentum since the EEC controls the funds. The CID inability to actually finance projects signals that future results will most likely continue to be modest.

Armed with the foregoing analysis, one is tempted to argue that the famed Lome partnership concept, the "agreement among equals" idea touted by the EEC, emerges more as a child-parent relationship. Perhaps the horse and rider analogy is even more fitting.

During the Lome I negotiations which took place between 1973 and 1975, it was clear that the Europeans were concerned about security of supply of petroleum and strategic raw materials. They were willing to make concessions to the ACP in the form of STABEX and other generous provisions. The energy picture changed somewhat in the interim between the negotiations for Lome I and Lome II: North Sea oil began to flow; conservation programs became effective; more nuclear plants came on line and individual EEC countries began forging strong trade ties with Arab OPEC states. While European concern over dependence on the ACP as a fossil fuel supplier has diminished somewhat, concern over the security of supply of ACP strategic minerals has grown. However, this concern does not yet appear overwhelming, as evidenced from the relatively modest size of the sums allocated.

During the Lome II negotiations, the EEC was clearly less willing to make concessions than during the earlier negotiations. Perhaps if the security of supply of raw materials and strategic minerals issue heats up by 1984 their accomodating mood will reappear. But for the present Lome II appears as an EEC charitable institution in disguise.

The ACP's negotiating position has been weakened. The threat of producer power politics doesn't carry the same weight in 1981 that it did in the winter of 1973-74. Attempts at cartelization by the coffee and cocoa producers remain ineffective and other rumbles emanating from mineral-owning developing countries have remained at the rumination stage (bauxite and copper).

Most of the ACP themselves have been hard hit by escalating oil prices, the oil exporting ACP, of course, being the exceptions. Coupled with higher prices for manufactured goods imported from the inflation-plagued West, higher oil prices have strained ACP balances of payments. With little relief in sight, the ACP will continue to be dependent on the international economy for sale of their primary products to meet their growing balance of payments disequilibrium. Further, there is some evidence that the blush of high commodity prices experienced during the 1970's is over. The commodity price boom was at least partially caused by increased commodity speculation as a hedge against uncertainty in currency values, mainly the dollar. If the recent strengthening of the dollar continues, it may reduce commodity speculation and moderate commodity prices. Further coffee and cocoa appear to be entering the surplus stage of the crop cycle and the resulting lower prices will be

translated into reduced export earnings for many ACP. All of this spells a weakened international bargaining position for the ACP.

On the bright side, concern worldwide over security of supply of strategic raw materials could increase competition for Africa's minerals and may enhance Africa's bargaining position with respect to multinationals. This positive outlook is tempered by possible future exploitation of the resources of the seabed that could detract from the importance of ACP mining of such minerals as copper and iron ore, further weakening many African states internationally.

While this analysis has shown that none of the Lome provisions have a dramatic impact in and of themselves, from the ACP's perspective, they help. As the trade provisions of Lome become increasingly watered down due to liberalization of the GSP and further GATT-related tariff cuts, they may cease to be an important part of the Lome package. Aid provisions such as STABEX and, increasingly, SYSMIN are likely to remain central to the package, since these programs reflect areas in which both parties have interests at stake. While it is unlikely that during the life of Lome II European investment in the ACP will turn from its present trickle into a river, the new Lome provisions certainly won't hurt the situation. Any new investment that does appear on the scene will probably foster trade in the long run, as the aid program does. In all, Lome, as it has done in the past, will most likely continue to work to strengthen EEC-ACP economic relations.

CHAPTER IX

U.S. INTERNATIONAL ECONOMIC INTERESTS: IMPACT AND LESSONS FROM THE LOME CONVENTION

Any discussion of Lome and the relative economic position of EEC and the U.S. interests vis-a-vis the ACP must be carefully prefaced. Most of the ACP countries and certainly those in Africa have historically been Europe's economic preserve. Colonial economic links between France and the Francophone African states, between Great Britain and the Commonwealth countries and to a lesser extent between Belgium and her ex-dependencies have remained strong. Substantial aid flows between these regions and the market supports and subsidies offered by European governments to their private sectors in commerce with the ACP further weld the ACP-EEC political economy. Lome comes as an addition to all of these existing economic linkage mechanisms. Hence, when discussing Lome's impact on the United States it is hard to separate Lome effects from the influence of individual European government programs. More difficult still is the attribution of certain statistical results to Lome alone. One can point to certain economic trends and identify them as happening during the Lome agreement but in most cases it would be inaccurate to say that a particular economic phenomenon resulted solely because of Lome. Still, some inferences can be ventured as to the influences which Lome's institutional structure is having on EEC-ACP and U.S.-ACP economic flows.

This chapter will compare trade, investment and aid relations between the U.S. and the ACP with those between the EEC and the ACP. Attempts will be made to isolate the influences that Lome may be having on U.S. international economic interests in the ACP states. Trade, investment and aid will be discussed in turn, with mention of U.S. governmental institutions and some European bilateral programs.

U.S. Trade With The ACP

From the U.S. perspective, four salient statistical results emerged from the trade analysis conducted in Chapter III. First, during the Lome I period the Europeans appear to have maintained their trade advantage, when measured by market shares. In fact, netting out for oil price increases, their position as ACP import suppliers actually improved. The reverse is true of the American exports to the ACP which declined during Lome I as compared to the pre-Lome period. On the other hand ACP exports to the U.S. increased dramatically during the Lome I period due, in good part, to price and quantity increases in petroleum, copper, coffee and cocoa. The result of these trade flows was a large increase in the U.S. balance of trade deficit with ACP states as a group.

The EEC states seem to have improved their export position with the ACP, relatively speaking, while U.S. exports have declined in importance. As mentioned earlier, historic ties, cultural links, the franc zone, etc. partially explain the ability of the Europeans to maintain their position in ACP markets. To further understand this export market dominance and its implications for the U.S., we now turn

to the influences of private capital flows and official aid: both from the EEC-ACP and the U.S.-ACP perspectives.

European Stimulation of Exports

One reason for the continued European dominance in the African markets is simply that the Europeans make it financially easier for their exporters to export and easier for their customers to import. Both Lome and individual country institutions provide monies which stimulate EEC-ACP trade. Concessional financing, export credits, export subsidies, hefty multi- and bilateral aid programs all translate into cheaper and more accessible export terms for the ACP states. In short, individual European countries and Community institutions are playing an active role in stimulating European exports, much more so than their American counterparts.

Table IX-1

U.S. AND EEC BILATERAL AID TO THE ACP
(Million EUA)

	1970-72 Average	1973-75 Average	1977	1978
U.S. Bilat. Aid to All LDCs	2,000	1,636	2,410	2,855
U.S. Bilat. Aid to ACP only	180	180	241	314
U.S. ACP Aid in % of LDCs	9%	11%	10%	11%
EEC Bilat. Aid to All LDCs	2,083	3,164	4,112	5,471
EEC Bilat. Aid to ACP only	604	1,044	1,398	1,915
EEC ACP Aid in % of LDCs	29%	33%	34%	35%

Source: Eurostat; ACP Statistical Yearbook 1972-1978.

In Table IX-1 we compare U.S. bilateral aid and EEC bilateral aid. Bilateral aid programs translate into export demand for the donor

country, especially since the funds are usually tied aid. Note the dramatic difference in financial commitment to the ACP states: While the EEC devotes about one-third of its aid to the ACP, the U.S. barely surpasses the 10% mark. The magnitudinal difference should be of no surprise, since the U.S. gives more aid to Latin America and Asia, its traditional sphere of influence.

The differences between U.S. and EEC aid flows are further dramatized by the fact that the individual European countries' contributions are also the basis of the monies for the EDF/EIB. Table IX-2 shows EDF/EIB disbursements during the Lome I period. These monies are actual disbursements comparable to the flows in Table IX-1 (as opposed to commitments which might not have been received yet). They show the Community's actual funding of ACP projects being roughly eight times that of the U.S. in the late seventies.

Table IX-2

EDF/EIB DISBURSEMENTS TO THE ACP UNDER LOME I

	1975-76 Average	1977	1978	1979
EDF (Million EUA)	197	708	525	615
EIB (Million EUA) (low interest loans)	21	67	92	73
Total	218	775	617	688

Source: Annual Report to ACP-EEC Council of Ministers, 1976-80

Differences in bilateral export assistance programs also affect the relative U.S. and European export positions. The European schemes (especially the French) frequently offer substantial subsidies, such as inflation risk insurance, exchange rate insurance, mixed credits, lines

of credits and local cost support schemes to stimulate their exports. In contrast, the EXIM bank operates under a much more conservative mandate. EXIM is required to foresee "a reasonable assurance of repayment" before any exposure is taken. Many of the ACP countries are not considered credit worthy by the EXIM bank, notably, Liberia, Somalia, Sudan, Tanzania, Uganda, Zambia, Zaire and Ethiopia, to list a few.

Investment Positions and Capital Flows

Historically the ACP states have not been important for American investors in comparison to other developing regions. At the end of the seventies, the ACP held about 14% of the stock of U.S. foreign direct investment in developing countries and 3% of overall U.S. foreign investment.

The ACP states have furthermore been declining in importance for U.S. foreign direct investment, a pattern displayed in Table IX-3 which shows investment flows during each year.

Table IX-3

THE FLOW OF DIRECT PRIVATE INVESTMENT FROM THE U.S. AND THE EEC TO DEVELOPING COUNTRIES
(Billion Dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
U.S.	1.56	1.53	1.55	0.63	-3.05	6.44	3.02	5.15	5.94	7.44
Of which										
ACP	0.53	0.24	0.21	0.61	-0.36	0.78	0.18	0.27	0.65	N.A.
(%)	34%	16%	14%	97%	12%	12%	6%	5%	11%	
EEC*	1.25	1.16	1.89	2.17	2.08	2.36	2.69	2.35	3.62	N.A.
Of which										
ACP#	N.A.	N.A.	0.18	0.22	0.22	0.46	0.43	0.37	0.39	N.A.
(%)			10%	10%	11%	19%	16%	16%	11%	

* These flows, unlike the U.S. flows, include investment in European developing countries.
\# These are estimates derived from private investment flow data.

Sources: U.S. Dept. of Commerce;
OECD; Development Assistance Committee;
EUROSTAT; ACP Statistical Yearbook, 1972-78.

While U.S. investment in the ACP states did not remain stagnant during the latter years of the seventies, the ACP did decline in relative importance, when compared with their importance earlier in the decade. Of the $2.22 billion addition to the stock of U.S. investments in developing countries in the pre-Lome period, $1.23 billion went to the ACP, 55% of the developing country total. In the Lome I period there was a large increase in U.S. worldwide investments, some $29.99 billion. Yet only a small portion of this went to the ACP. Data to the end of 1978 indicates a $20.55 billion addition in overall U.S. foreign investments, of which only $1.88 billion went to the ACP, a meagre 9%.

Looking at the ACP investment picture in real terms (in deflated dollars) yields even more illustrative results. In Table IX-4, the investment flow series to the ACP states have been deflated to take into

account price and exchange rate changes. The average flow, in 1977 dollars, from the U.S. to ACP in the pre-Lome I period was $0.65 billion (excluding the disinvestment that took place in 1974). The average flow under Lome I fell to $0.48 billion. Conversely, the EEC direct private investment flow to the ACP seems to have increased during the Lome I period to an average of $0.42 billion, in 1977 dollars, from an average of $0.30 billion in the prior period.

Table IX-4

FLOW OF DIRECT INVESTMENT FROM THE U.S. AND THE EEC TO THE ACP
(1977 Dollars and 1977 Exchange Rates)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
U.S. investment in ACP (Billion $)	.93	.41	.35	.90	-.42	.87	.19	.27	.58	N.A.
EEC investment in ACP (Billion $)	N.A.	N.A.	.31	.31	.27	.50	.47	.37	.35	N.A.

Source: OECD, Development Assistance Committee.

The declining years for U.S. investment in the ACP countries do coincide with the Lome I period. There are, of course, a multitude of non-Lome factors influencing the declining U.S. investment position in the ACP, not the least of which is the degree of political instability in the African continent. However, Lome did not help this situation. During that time, as we know, aid flows and concessional financing between the Community and the ACP increased substantially. Moreover, the Lome rules of origin came into effect, requiring that for most goods produced or assembled in the ACP 50-60% of the value of a finished product must originate in the ACP-EEC customs area. Non-EEC nationality firms who can fulfill this requirement can utilize the ACP states as a production area and gain preferential access to Community markets. On

the other hand, non-EEC firms -- American business, for example -- which cannot meet the value-added levels have little incentive to utilize the ACP in this manner.

Investment in Mining and Energy

Both the U.S. and the Community are dependent on ACP minerals and energy supplies illustrated in Table IX-5. While the U.S. dependence is much less dramatic than that of the EEC, nevertheless the ACP is important to American mineral and fuel strategic interests.

Table IX-5

U.S. AND EEC IMPORT DEPENDENCE ON CERTAIN RAW MATERIALS

Mineral	U.S. (%)	EEC (%)	Major ACP sources	U.S. Import Sources#
Columbium	100	100	Nigeria	Nigeria
Manganese	98*	100	Gabon, Ghana	Gabon 36%, South Africa 90%
Cobalt	98	100	Zaire, Zambia	Zaire 65%, Zambia 7%
Zinc	64	68		
Bauxite	85	51	Jamaica	Jamaica, Australia
Copper	20~	93	Zaire, Zambia Papua New Guinea	Zaire, Zambia, Chile
Uranium	N.A.	75	Gabon, Niger	
Nickel	71	100		
Cadmium	N.A.	36		
Chromium	92*	100		South Africa 35%, USSR 18%
Tungsten	54	99		

* Remainder of U.S. consumption supplied by recycling material or stocks.
\# 1974-1977 average.
~ Estimate.

Sources: Minerals and Materials: a Monthly Survey; U.S. Bureau of Mines; Commodity Data Summaries, 1979, U.S. Bureau of Mines; The Courier, #52.

Increased investment flows from the industrial countries are needed to bolster ACP production and to keep the minerals and fuels

flowing to the West. As discussed in Chapter VI, investments approaching $55 billion annually are needed in developing countries between 1977 and 1990 to keep supplies on stream in the metals area. Yet EEC mining company investments flows have been declining as have those of their American counterparts. Table IX-6 shows the U.S. direct investment position by sector and region. The breakdown includes petroleum and mining and smelting investments. For the African area petroleum investments have been the largest while mining and smelting industries received no U.S. investment in 1978 and a disinvestment of $17 billion in 1977.

Table IX-6

U.S. PRIVATE DIRECT INVESTMENT FLOWS TO DEVELOPING COUNTRIES BY SECTOR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Developing Countries										
(Billion $)	1.56	1.53	1.55	0.63	-3.05	6.44	3.02	5.15	5.94	7.49
Oil (%)	38	25	23	-177	239	47	8	18	15	N.A.
Mining & Smelt. (%)	9	6	3	6	7	6	5	-2	1	N.A.
Manuf. (%)	28	37	47	149	-53	19	30	18	30	N.A.
Other (%)	24	31	27	123	-92	28	57	66	54	N.A.
Africa (exc. South Afr.)										
(Billion $)	0.43	0.23	0.19	-.46	-0.14	0.22	0.38	0.06	0.61	N.A.
Oil (%)	88	70	74	97	171	14	71	-33	87	
Mining & Smelt. (%)	2	9	21	0	-29	23	13	-17	0	
Manuf. (%)	4	9	0	4	-14	27	8	66	5	
Other (%)	6	12	5	-2	-29	36	8	83	8	N.A.

Source: U.S. Dept. of Commerce: International Investment Division.

As previously discussed, Lome II addressed the mineral dependence issue with provisions designed to encourage EEC investments in the ACP related to mining and energy. Briefly, there is a joint declaration

encouraging the EEC to act as an intermediary between the ACP and European private investors. The European Investment Bank (EIB) will loan money for mining projects and provide risk capital. There have been suggestions that the EIB play a more active role as a catalyst in attracting European capital[1] by being allowed to commit its own resources and grant interest rate subsidies. The former was adopted under Lome II with EIB allowed to commit up to 200 million EUA[2] over and above the Lome II ceiling for energy and mining developments if the project is in the EEC interest.

While these provisions and the funding accompanying them are admittedly modest, they are bound to be of some benefit to the European mining industry. Coupled with EDF funds, these concessional funds will put U.S. investors at some disadvantage, if for no other reason than the lack of subsidies available to Americans. Of course much of the mining industry investment hesitancy is attributed to non-economic, i.e., political risk. Hence political risk insurance is also quite important. While the Community was not able to get investment guarantee commitments from the ACP or to agree among themselves on a plan of action during the Lome II negotiations, a number of EEC countries have bilateral investment security arrangements with ACP states. These treaties were effectively multilateralized under Lome II.

Ironically, U.S.'s OPIC was a model for European attempts at collectivization in political risk insurance. Due to concern over declining U.S. investment levels in Third World mining sectors, recent changes in the OPIC insurance programs were initiated to stimulate more U.S. investment in this sector. The new OPIC Energy/Raw Material

Program provides a steady level of coverage for 10 years and insures mineral investors against losses from a breach of any specified contractual obligation. The performance of the Lome II or the OPIC packages cannot be evaluated. Of course the Lome Convention does create a "favorable climate" for the EEC investor, an unquantifiable advantage.

Attributes of a Lome-like Arrangement

This study has delineated the mechanisms of the Lome agreement, analyzed the results and drawn implications and conclusions regarding its impact on long-term ACP-EEC political economy. Effects on and implications for U.S. international economic interests were also examined.

The discussion now turns to the feasibility of United States adoption of a Lome-like arrangement in economic relations with the Third World, specifically the ACP. Lome has two clear strong points: One is its contractual quality and the other is the multi-faceted nature of the economic package. When entering a contract each side stipulates to the acceptance of certain responsibilites. The EEC grants quasi-duty-free access for ACP exports, sets aside monies for the negotiated financial commitment, etc. The ACP states in return grant the EEC countries most-favored-nation status, agree in principle on the treatment of European business and uphold various other aspects of the Treaty. As in a labor negotiation, each side has "gotten" something and signs the agreement. While it is not clear how binding the agreement is in a purely legal framework, the contractual quality has an appeal. It provides a potential domestic political acceptability to foreign aid and trade

concessions since the donor country "gets" something in return. (In the Lome case the Europeans have gotten less and less since the Yaounde days.) Further, it puts the developing countries on a more equal basis, a concept at least psychologically important in light of the demands for a New International Economic Order. While the EEC's oft tauted "partnership among equals" description of Lome is perhaps an overstatement of the case, it has formed a compact among states who have chosen whether or not to participate. (Angola and Mozambique still choose not to associate with the EEC). In doing so this agreement formally recognized the economic interdependence of the two regions. In contrast, traditional foreign aid programs (and certainly the U.S. aid program) have a charitable quality. The industrial country is giving something to the developing country. Naturally, this traditional aid-giving process is demeaning to developing countries. This type of relationship has certainly contributed to political tensions — witness the U.S.-Latin American difficulties — over the past twenty years.

The Lome agreement has not protected Europe totally from these types of problems and colonial past doesn't help. Nevertheless, the contractual quality of the Lome agreement cannot but assist in reducing North-South tensions, even if only from a public relations perspective.

Negotiating a North-South aid, trade, and investment package also presents the possibility of the northern country obtaining benefits — perhaps more significant benefits then the EEC has obtained. Investment guarantees, internal government concessions, liberal repatriation rights, most-favored-nations status, or even more serious trade concessions could all be part of a contract negotiated with an

individual developing country or with a group thereof.

The Lome Convention recognizes that tangible economic objectives on both sides can be realized only within a broader framework of interdependence and North-South cooperation. Lome brings together under a single agreement concessional aid, compensatory financing, commodity price indexation, private investment, access to export markets and export stabilization. It is an enormously potent instrument for European commercial interests since it assures them access to future markets and raw materials in the ACP states. Lome then represents something of a model for constructive North-South relations as well as an integrated package approach for expanding European trade and investment activities in the poorer LDCs.

The other major advantageous aspect of Lome stems from the complementarity and coordination of measures inherent in the agreement. The Convention contains aid, trade, commodity stabilization, investment promotion and industrialization provisions. While each of these measures in and of itself may not be particularly significant, their inherent synergism bolsters their combined effectiveness. Effects can be viewed both on the international level, recognizing and fostering economic interdependence between the ACP and EEC states, and on the country level, providing the possibility for more coordinated and hence effective economic results. Due to the flexible approach of the Community, the aid funds are monies well spent. They can be used in conjunction with other aid granting institutions, with private capital and with local funds. The concessional nature of the EDF/EIB funds translates into reduced risks for the European business community and

thus into greater likelihood of participation in ACP ventures. Moreover, much of the money flows back to Europe in the form of contracts to European firms. Trade is stimulated not only through the immediate contract but in the longer term through the need for replacement parts, future contracts and technical expertise. Strong post-colonial links also bolster this relationship, as do the substantial bilateral aid programs.

Through STABEX, the EEC achieves a political objective as well as an economic end. In compensating countries for shortfalls in their export earnings, the EEC, with a minimum of resource commitment, helps stave off bankruptcy and economic catastrophy and puts purchasing power in the hands of the ACP countries. At the same time the EEC's long term supplies of primary products are fostered. Both STABEX and SYSMIN are essentially disguised resource transfers whibh function to ensure European supplier of raw materials and create an incentive for the ACP countries to continue to export to Community markets.

From the ACP's perspective, as well, a coordinated approach to aid, trade, technology transfer is beneficial. STABEX is offered exclusively to the ACP states and, aside from the IMF's less forgiving program, it is the only game in town. The EDF/EIB workings offer greater potential effectiveness (especially in comparison to their U.S. counterparts) in a number of ways. By establishing a multi-year aid package, each ACP through indicative planning knows approximately how much aid it can expect. The aid has greater potential of being incorporated into long-term development plans, and large projects, requiring multi-year financing, can be more easily carried out.

Many provisions of Lome also give special benefits to the poorest ACP. Although the list of countries designated as the neediest is somewhat puzzling, since not all of the countries on the list are among the poorest ACP, one can only applaud financial aid biased toward the poorest.

Last, the Lome accord is fairly non-political. Once the countries sign the agreement, they have access to the various provisions, despite any changes in their government which might move them further to the left or to the right. Of course, Uganda under Amin presented an embarrassing situation for the Community, and funds were not readily forthcoming. However, the Lome spoils have in general flowed to the ACP irrespective of their political leanings.

Applicability of Lome-like Arrangements for the United States

Judging from the benefits described above, it might seem logical for the U.S. to formulate regional and subregional policies which focus on coordinated aid, trade and investment promotion programs with countries important to the U.S., whether for supplies of natural resources or for security reasons. In the former circumstance the likelihood of long-term strategic supplies would be increased and for the latter problem, the more economically sound a country is, the less politically unstable. There is also the element of assisting U.S. business overseas, especially in the face of competition from government-subsidized European firms. Last, if the U.S. is to pay for the energy and raw materials it imports from the various developing

regions -- increasingly from the ACP -- with exports rather than through deficits, these countries must be assisted. For the African region especially, a level of economic development such that they can absorb technologically advanced U.S. exports is a long way off. Clearly, the imperative for an efficient foreign aid, trade and investment program is manifold.

However, adoption of a Lome-like arrangement presents its own set of problems and may not be feasible in the American context. First, on the practical level, which countries should be approached? A U.S. Lome in the African context might be rather redundant given the EEC's presence and geographic proximity. A Caribbean focus seems more feasible.

A multitude of other difficulties appear on the horizon. The coordination of public and private sector activity may not be a politically acceptable theme domestically and the multi-year aid program would have great difficulty passing Congress, given the lessening of annual scrutiny it would imply. Offering meaningful trade concessions such as a one-way free trade area would no doubt conflict with special interests inside the U.S. For example, the package being discussed for the Caribbean that proposes such a one-way free trade area is likely to run head-on into tobacco and sugar interests and may draw criticism from the textiles and footwear industries.

A U.S. preferential trade scheme might also create trade policy problems. These is a long history of U.S. opposition to regional preferences, particularly those between developed and developing

countries. The American claim has held that such schemes discriminate against the U.S. trading interests (and the trade of other developing countries), subverts the most-favored-nations principle, and impedes global trade liberalization. Until their abrogation, preferential arrangements existing between the EEC and developing countries, such as under Yaounde and Arusha, were a source of concern to the U.S.

STABEX and SYSMIN approaches might have some applicability among the Caribbean countries. A STABEX-like apparatus might conceivably be adopted for sugar in the Dominican Republic, and for bananas and coffee in the Central American Common Market. But, again, U.S. commercial interests would likely object and many of the commodities are already covered in the EEC programs. Further, the U.S. has, in the recent past, focused on negotiated international agreements to improve markets and stabilize international commodity prices and has supported improvements in the IMF's Compensatory Financing Facility, to deal with short-term fluctuations in export earnings. STABEX's focus on individual commodities and individual countries runs somewhat contrary to these past positions. The U.S. has also not supported calls for a "Global STABEX" put forward by the Federal Republic of Germany.

A SYSMIN-like approach could conceivably assist Jamaica, Surinam and Guyana in mining bauxite, but again, the EEC program already operates in these countries. Furthermore, a U.S.-sponsored SYSMIN might also duplicate existing OPIC coverage and could be criticized for competing with private capital.

In a sense, STABEX and SYSMIN are disguised resource transfer mechanisms. Under STABEX the least-developed countries are exempted from repayment and SYSMIN offers liberal credit terms. U.S. programs of a similar type would require the same non-programmed, untied aid if they were to be effective and represent an uncontrollable, multi-year aid commitment. Not a likely scenario in the near term. It is equally unlikely that American aid funds would flow to countries whose governments are politically antagonistic to the U.S.

Last, the Community's aid program with its emphasis on industrialization, its multi-year characteristic and its varied financing abilities including the potential complementarity with private capital, embodies a fundamentally different concept of foreign aid than does AID's Basic Human Needs Approach. EDF/EIB activities clearly set out to stimulate ACP-EEC private sector interchange whereas the U.S. program is limited by its more humanitarian emphasis and is additionally hampered by ethical constraints posed by traditional American opposition to government subsidization of private sector activities.

General Policy Recommendations

Given that expansion of economic interchange between the U.S. and the ACP states is a policy goal, a strict Lome-type arrangement is by no means the only road open to the U.S. A more limited contractual obligation could be undertaken with various regions, such as that recently proposed for the Caribbean basin. Moreover, changes and modifications could be initiated in a number of U.S. institutions which would serve to help expand trade and investment with the ACP states. In

conclusion, a few possible policy options will be enumerated:

1. Changes in EXIM Bank Abilities.

In order to increase its concessionary role, EXIM funding could be increased with the understanding that additional monies would be channeled to concessional arrangements such as mixed credits and increased use of interest rate subsidies to expand imports.

The EXIM bank could also embark upon special programs, such as special set-asides for energy and mineral related activities, or monies on more favorable terms for the poorest nations. There is a precedent for this idea: recently the activities of the Export Expansion Facility were augmented. In addition, EXIM might be willing to take on riskier loans through the Export Expansion Facility if the U.S. Treasury would share a greater portion of the cost in the event of a loss.

2. Changes in Overseas Private Investment Corporation

If OPIC's funding were increased, its financial role could be expanded to focus on U.S. business activities in the poorer developing countries. OPIC presently has funds set aside for special projects under Section 234 for Investment Encouragement. These monies could be augmented with additional funding, both public and private. In addition, if the amortization period on OPIC financing were extended, it might be a more financially viable alternative for investors.

3. Bilateral Investment Treaties

Bilateral Investment Treaties could also be used to safeguard American investments in the ACP. Various EEC states have individually negotiated investment security treaties with developing countries. The U.S. and Egypt are presently negotiating a bilateral investment accord: if these talks are successful, treaties with other countries could be discussed.

4. Agency for International Development

USAID guidelines need broadening, especially for Africa, to include projects related to basic infrastructure and industrial development. This would serve two goals. First, the countries would more likely be assisted on the road to development and second, U.S. industrial exports would be fostered.

Multi-year aid funding, while desirable, is not politically feasible. One way to increase the flow of funds available to AID would be for the loan repayments from developing country loan recipients to flow back to the Agency and not into the Treasury as general revenue.

Diversification in the use of aid funds is also a useful concept. AID funds could support regional development banks — a low cost means to increase U.S. presence. Similarly, use of the AID budget for various forms of mixed financing and other concessional arrangements could be useful not only by itself, but also in conjunction with other aid donors and private funds.

5. Expansion of U.S. food aid programs

Many of the African countries are facing severe food supply problems in the eighties. While the EEC has been somewhat circumspect in its food aid commitment, refusing to include it as part of Lome, the U.S. has expanded activities in this area. Further expansion of the P.L. 480 program or stepped-up direct food aid to the African ACP might offer them needed assistance in an area where the European have not been particularly forthcoming. Better integration of food aid with the development of agri-business activities in the ACP would also be beneficial.

6. U.S. General Scheme of Preferences (GSP)

Recent changes in the U.S.'s GSP have initiated to assist low income countries. These liberalizations are an encouraging beginning. They could be augmented by increased ceilings, sliding scales, increased product coverage and other concessions to further help the LDCs expand exports to the U.S.

7. U.S. Support for the IMF's Compensatory Financing Facility

The U.S. should continue to support liberalization of the IMF's Compensatory Financing Facility (CFF) as a short-term balance of payments measure for developing countries. It represents an inventive relatively low cost approach to short term balance of payment problems.

8. More Policy Coordination Between Agencies.

As we have seen in the foregoing discussion, many of the functions of Lome are fulfilled in the American context by activities of various agencies such as State, Commerce, AID, and USTR. Increased policy and activity coordination between these various bodies in regard to ACP and developing countries in general would mean more effective programs and more efficient use of aid and financial resources.

REFERENCES

[1] Investments of Mining and Energy Cooperation with the ACP countries. COM (79) 130. Strasbourg, March 14, 1979.

[2] Approximately $240 million.

APPENDIX A

THE MEDITERRANEAN POLICY AND OTHER EXTERNAL AGREEMENTS OF THE EUROPEAN COMMUNITY

The form of association offered to the ACP countries under the Lome Convention is the first of the EEC's three-track policy towards developing nations. The second is a form of association through commercial cooperation agreements (CCA) such as those negotiated with the Mediterranean countries which grant preferential treatment and insure some aid. Last there is the non-asssociated track, comprised of the Generalized System of Preferences (GSP), limited cooperation agreements, and some financial aid to developing nations.

The EEC's Mediterranean Policy

The European Community has made a fundamental distinction in its external relations between the Northern and Southern Mediterranean countries. The Northern Mediterranean countries of Spain and Portugal are considered potential community members. Greece in fact joined in 1981. The Southern Mediterranean countries (The Maghreb and Mashreq states) are considered markets for EEC goods, receiving about 6.6% of EEC exports, which is about the same volume as that of the entire ACP. In fact, the EEC has been in trade surplus with each of the eight Mediterranean countries for the past few years, which helps to affect its deficits with the oil exporters. As the standard of living rises it is expected that the Southern Mediterranean countries will continue to

be a major outlet for EEC consumer goods.[2]

The EEC has had an association agreement with Turkey since 1963, with the possibility of full membership by consent of both parties.[3] An accord was reached with Yugoslavia in 1973 which treats it not as a state-trading nation but as a Mediterranean country. Its Mediterranean status has allowed it to receive a loan of 50 million EUA from the European Investment Bank, which cannot extend loans to Eastern European countries.[4] Trade agreements with Cyprus and Malta were extended in 1977[5] and Cyprus would like further to negotiate a Customs Union agreement with the Community. Negotiations were completed with Israel in 1977 for a free trade area for industrial products to be in effect by 1989; with the Mashreq countries (Egypt, Jordan, Syria, Lebanon) in 1976, to go into effect in 1978.

The Maghreb and Mashreq Agreements

The Community has negotiated a series of commercial co-operative agreements with the Southern Mediterranean with the intention of promoting Mediterranean exports to the Community and assisting development with loans from the EIB, grants, and technology transfer schemes. Trade provisions of the Maghreb (1976) and Mashreq (1978) agreements allow duty-free access to EEC markets for processed materials and industrial products for an unlimited period of time. However, a system of ceilings is applied to refined petroleum products, phosphatic fertilizers, cotton yarn, and woven cotton. In addition, the EEC reserves the right to impose ceilings on aluminum. For quantities in excess of the ceilings, duties are applied similar to those applicable

to third countries. As the Maghreb and Mashreq Agreements are essentially harmonized bilateral agreements, the ceilings vary according to the country concerned.[6]

Tariff concessions of 40-80% in the Maghreb and Mashreq agreements cover the Mediterranean's most important agricultural goods: fruit, vegetables and olive oil. Quotas, import timetables and safeguard clauses are nevertheless allowed the EEC to limit farm products that conflict with the Common Agricultural Policy.[7] Reciprocity is not required on the part of the Mediterranean countries, with the exception of Israel, although EEC products enter their markets with most-favored nation status. Total trade liberalization is a distant goal of the Community's Mediterranean policy, however, and a free trade area is envisioned.[8]

Industrial Growth

Because the CAP protects some farm products identical to those grown by Southern Mediterranean farmers, the Community emphasizes instead the possibilities for industrial development offered by their Mediterranean policy. They point out that industrial products are allowed duty-free access to EEC markets while rising industries are protected by the non-reciprocal nature of the agreements.

In recent years the Southern Mediterranean countries have expanded their exports of manufactured industrial good- to the Community, particularly in the textile and clothing sectors. Approximately 32% of the Mediterranean manufactured exports to the EEC are in textiles. The

EEC has helped increase production in these countries' industrial sectors with financial aid, joint ventures with EEC firms, and processing deals with Community companies whereby an EEC company sends half-finished articles to be processed by the cheaper labor force of Southern Mediterranean countries.[9]

However, the EEC hesitates to make a stronger commitment to industrial development in the Southern Mediterranean. European textile firms have reduced their work force by 25% in the past seven years because of lagging consumption and competition from Asian exporters. Elaborate rules of origin and import quotas restrict the entrance of Southern Mediterranean textiles, and protectionism in this area is likely to increase. The Mediterranean countries are quite vocal in their feeling that they are being penalized for the success of Asian textile manufacturers.[10]

Aid

The Community's Mediterranean policy provides for aid, which expires in 1981, totalling 669 million EUA. EUA 339 million is earmarked for three Maghreb countries, EUA 270 million for three Mashreq, and 30 million each for Israel and Cyprus.[11] This assistance is intended to encourage agricultural modernization and industrial growth, especially where regional schemes might be employed. Provisions for cooperation in energy are stressed, especially where EEC firms might participate in the prospecting and production of energy supplies.[12]

Migrant Labor

The EEC-Mediterranean agreements also guarantee equal pay and social benefits for migrant workers moving to the Community. Throughout the postwar era, Europe has had bilateral treaties covering employment of foreign workers between the labor-surplus countries of the Mediterranean and European labor-scarce economies. The dependence of the five most northerly countries of the Community upon migrant labor has risen steadily since the early 1960's with decreases seen only in periods of recession. In the late 1970's the number of long-staying migrants and the number of family transfers was thought to contribute to inflation, and a European wave of resistance against Mediterranean immigration began. This concern has led to the insertion of clauses initially restricting labor movement in the accession plans of the three candidate countries, who theoretically could enjoy free movement of labor upon admission to the Community.[13] The safeguarding of migrant workers' rights is therefore an important feature of the EEC's Southern Mediterranean agreements, especially since these countries rely upon remittances from their workers abroad to offset trade deficits.

The Mediterranean Policy and Lome

In many respects, the ACP nations enjoy considerably more advantages in their trade with the Community than do the Mediterranean states. The Maghreb/Mashreq nations are allowed no compensation for export earnings shortfalls similar to the STABEX and SYSMIN schemes. Under Lome, the ACP countries are exempted from safeguard clauses in

specific cases such as beef, and they are the only countries allowed concessions for some central CAP products such as sugar.[14]

EEC-ACP trade preferences are presently non-reciprocal. If the reverse concept were to be reintroduced, it would cause U.S. reaction. It is partially on this basis that the United States has previously criticized the Community's Mediterranean policy. The U.S. argues that this type of regional preferential trade is in violation of the GATT, gives the EEC a competitive advantage over other countries, and may be harmful to the economic development of Third World nations. Although the diversion of U.S.-Mediterranean trade has not been significant enough to substantiate the U.S.'s claim of EEC advantage, the U.S. continues to object to this policy on the grounds of principle.[15]

One important advantage of the Mashreq and Maghreb agreements over Lome, however, is their unlimited duration, except for the financial protocol. With a guarantee of market access for an unlimited period, long-term development plans are easier to form, and the climate for potential investment appears more secure.

The preferential arrangements of the Community's Mediterranean policy have met with opposition from the ACP states. The ACP Council of Ministers has claimed that the extension of preferences to other groups of developing nations undermines the basic intent of Lome in achieving terms and conditions for ACP exports more favorable than those granted to products of other nations. Of particular concern are sugar, textiles, and agricultural goods. In addition, the entry of Northern Mediterranean countries into the Community could have an adverse effect

upon the ACP nations as the EEC struggles to soften the effect of enlargement upon the Southern Mediterranean states. Their efforts to do this could drain funds that might have gone to ACP nations: for example, a STABEX-like scheme to aid the Mashreq and Maghreb countries has been discussed as a way to counter the negative effects of enlargement upon these nations.

Since the Southern Mediterranean contains some members of the Arab League, that region will have the support of the Arab oil-exporting nations in their negotiations with the EEC. The non-oil exporting nations of the ACP group fear that the needs of the Southern Mediterranean will be given priority over their own.

The ACP countries also contend that the EEC's generalized system of preferences (GSP) reduces their preferential treatment. However, such concerns appear somewhat unfounded. A report by UNCTAD has concluded that, while certain advantages given to ACP countries have been reduced by the EEC-GSP, in general the GSP is not prejudicial to ACP states. Only a small number of products given duty-free or preferential treatment under Lome are covered by the GSP scheme.[16]

Non-Associative Aggreements

In addition to preferential trade agreements, the EEC has discussed and/or initiated a series of more limited commercial cooperative agreements with developing nations in Asia, the Middle East, and Latin America. The most extensive of these to date has been the EEC-ASEAN agreement, signed in March of 1980 in Kuala Lumpur between the

Community and the Association of Southeast Asian Nations (ASEAN). At present, EEC-ASEAN trade is relatively low: it was 2.5% of the EEC's foreign trade when negotiations began. The level of European investment in the region is also considered to be low.

The EEC-ASEAN agreement is perceived to be both political and commercial. Its signature was preceded by a joint declaration condemning military intervention in Kampuchea by the Vietnamese and in Afghanistan by the Soviet Union.[17]

The EEC-ASEAN agreement provides for most-favored nation status between the parties and for consultation between the two groups to harmonize trade policies. One reason the ASEAN states seek to expand trade with the EEC is to diversify and reduce their reliance upon Japan (which receives 25% of ASEAN exports) and the U.S. (which gets 20% of ASEAN exports).[18]

ASEAN has long shown concern with Europe's GSP, and discussions between the two groups have focused on improvements in this scheme. Hence, it was at ASEAN's urging that tobacco and some processed agricultural products (palm oil, coconut oil, preserved pineapple) were added to the EEC-GSP list. Since 1977, Community imports from ASEAN have risen 88% under the GSP. ASEAN countries as a group comprise the largest beneficiary of the EEC-GSP system.[19]

ASEAN has expressed an interest in the formation of a Community stabilization scheme similar to STABEX, although its member states have more diversified economic structures than ACP countries and export a

higher percentage of manufactured goods. So far the Community has vetoed this proposal strongly.[20]

ASEAN is endeavoring to increase European investment in the region to balance Japanese and American investments there. The latter make up 32% and 16% of total ASEAN foreign investment, respectively. The EEC has expressed concern at the relative lack of European investment in the ASEAN raw materials sector. The Community and ASEAN have thus agreed to consider investment protection arrangements between the member states of both groups. Projects for industrial cooperation have been discussed, but after signing the EEC-ASEAN agreement many Community member states expressed concern that such cooperation could exacerbate competition with European products. Textiles are of particular concern. At present, the Community has negotiated bilateral agreements with ASEAN nations in accordance with the global Multifibre Arrangement (MFA). For the period 1978-82, the ASEAN nations have agreed to limit to specific levels their exports of sensitive categories of textiles. The Community is expected to seek a renewal of these agreements in 1982.

A third area of concern in the EEC-ASEAN agreement is development cooperation. As part of the EEC's plan to implement a progressive global policy that complements its links with ACP countries, funds for regional integration assistance, export promotion, marketing and information exchange have been made available to ASEAN by the Community. Rural development projects in Indonesia, the Philippines, and Thailand have received EEC funds.[21] Some EEC members (most notably Britain) would like to see more aid given to Asia and less to the ACP group. One reason for this is a feeling that the Lome Convention covers a

disproportionately small part of the population of the Third World. Another is a feeling that Lome conforms to French aid policies but not to those of Britain and Germany.[22]

The Community is engaged in discussions on similar cooperative agreements with the Gulf States and the Andean Pact nations of Latin America (Venezuela, Colombia, Ecuador, Peru and Bolivia).

REFERENCES

[1] Dolan, Michael and Caparaso, James, "The External Relations of the European Economic Community," The Annals of the American Academy of Political and Social Sciences, Volume 440 (November, 1978), p. 144.

[2] Taylor, Robert, "Implications for the Southern Mediterranean Countries of the Second Enlargement of the European Community," European Information Development, EEC Directorate-General for Information, (June, 1980), p. 6.

[3] Bridge, John, "The EEC and Turkey," in Shlaim and Yanopoulos (eds.), The EEC and the Mediterranean Countries. Cambridge University Press (Cambridge, 1976), p. 161.

[4] Pirzio-Biroli, Corrado, "The European Community," p. 23.

[5] Pirzio-Biroli, Corrado, "The European Community's Development Cooperation Policies," (March, 1980), pp. 22-23 (unpublished paper).

[6] Frey-Wouters, Ellen, The European Community and the Third World, p. 201.

[7] Ibid, p. 23.

[8] Pirzio-Biroli, "The European Ccommunity," p. 23.

[9] Taylor, "Implications for the Southern Mediterranean Countries," p. 12.

[10] The Economist; "Textiles: Ragged Edges," Vol. 278, No. 7178.

[11] Pirzio-Biroli, "The European Community," p. 24.

[12] Pirzio-Biroli, Corrado, "Foreign Policy Formation Within the European Community with Special Regard to the Developing Countries," p. 240 (unpublished paper).

[13] The Economist, "Enlargement: Phobia of the Xenos," October 21, 1978.

[14] Frey-Wouters, The EEC and the Third World, p. 202.

[15] Dolan and Caparaso, "The External Relations of the EEC," p. 147.

[16] Frey-Wouters, The EEC and the Third World, p. 198.

[17] The Courier, "EEC-ASEAN Agreement Signed, " No. 61 (May-June, 1980), p. 101.

[18] EEC Directorate-General, "ASEAN and the European Community," Europe Information: External Relations, (December, 1979), p. 6.

[19] The Courier, "EEC-ASEAN Agreement Signed," p. 103.

[20] Pirzio-Biroli, "The European Community," p. 34.

[21] The Courier, EEC-ASEAN Agreement signed," p. 104.

[22] The Economist, "Development Aid: Inefficient, Unfair and Un-British," May 9, 1981.

APPENDIX B

NON-PARAMETRIC TESTS

To examine the effect of the Lome I Convention on trade between selected groupings of the ACP countries (e.g. Yaounde group, Arusha group) and one or more of their trading partners, (e.g. EEC, U.S., U.K.), we consider the total exports and imports of the ACP grouping to and from its trading partners before and after 1975, the year Lome went into effect. More precisely, we will try to determine whether the levels of exports and imports for the five year period 1975-1979 are different from the preceding five year period 1970-1974.

Because of the worldwide inflationary trend during the seventies, both exports and imports display an upward trend throughout the ten years considered, when expressed in monetary units. In order to neutralize this effect we divide, for any given year, the exports or imports to or from an ACP grouping by the exports or imports to or from the entire world. We call these ratios export and import "shares," as they represent The ACP grouping's share of world trade.

Our objective, then, is to detect whether there has been any change in the average export/import shares in the two sample periods, 1970-74 and 1975-79. Against our null hypothesis (that no statistically significant change in market shares occurred), we test two alternative hypothesis: (a) that market shares increased; and (b) that market shares declined. An alternative hypothesis is accepted where there is a

95% probability that market shares either increased or decreased.

Any test of these two hypotheses is subject to the following types of errors:

1. Type I error: Rejection of the null hypothesis when in reality it is true.
2. Type II error: Acceptance of the null hypothesis when in fact it is false.

The choice of a test for the null hypothesis should be made with a criterion to keep both types of errors as small as possible. In reality, it is impossible to minimize type I and type II errors simultaneously. Thus, we choose to keep the level of type I error (the probability of rejecting the null hypothesis when it is in fact true) fixed at 5%. The modest sample size (two times five years) does not warrant a parametric test to prove or reject the two hypotheses. Thus, we take recourse to a more robust non-parametric test particularly suited for this type of problem, the Wilcoxon-Mann-Whitney (W) test, that minimizes errors of type II.

Comparison of W-Tests With t-Tests

The W- and t-tests make one assumption in common: that the two underlying populations from which our samples are drawn are identical except for possible differences in their means. The t-test makes the additional assumption that the underlying populations are normal.

The t-test is the "best" test when the underlying populations indeed are normal. By "best" we mean that it is the test with lowest type II error when type I error is fixed, say at 5%. The W-test, however, compares well with the t-test in relative efficiency, that is, in the ratio of sample sizes required to give equal probabilities of type I and type II errors. In fact, when the underlying population is not normal, the W-test actually surpasses the t-test in efficiency. An additional advantage offered by the W-test is that it does not give undue emphasis to "outliers" resulting from imperfect data collection. This property is relevant to our analysis, as indicated by the frequent corrections that the IMF directions of trade data are subject to. For the above reasons we chose to use the W-test.

Example of the W Test

As an illustration of the W-test, let us examine Table C-5 from Appendix C:

EXPORTS FROM YAOUNDE ACP COUNTRIES TO THE 9 EEC COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Exp. (M$)	1500	1412	1668	2060	3300	3250	4079	4631	4835	6262
Exp. (%)	65.5	65.3	65.6	57.4	60.3	56.1	57.2	54.6	53.4	53.4
Ranks	9	8	10	6	7	4	5	3	2	1

W-test statistic: Sum of 1970-74 ranks = 40
Sum of 1975-79 ranks = 15

Export volume to the EEC and to the world were obtained from the IMF "Directions of Trade Yearbook," 1976 and 1980 editions.

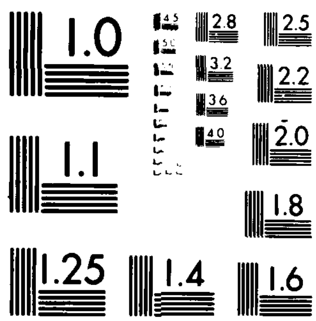
The shares of Yaounde ACP exports going to the EEC as a percentage of Yaounde trade with the world are calculated and ranked, with lowest equal to 1 and highest equal to 10. In this example, the decline of export shares throughout the decade is particularly striking: from a level in the sixty million dollar range before 1975 (excluding a brief interlude in 1974), the export shares range consistently in the fifties after 1975. For this application, the W-test statistic is the sum of the 1970 to 1974 ranks. Very high or very low values of the W-test statistic are grounds to reject the null hypothesis. For two samples of five each, the highest W value is 40, the lowest is 15. In this particular example W, the sum of the ranks from 1970 to 1974, is 40. (The sum of 1975 to 1979 ranks is given for clarity; it provides no new information). The Wilcoxon-Mann-Whitney Tables show that by rejecting the null hypothesis, that export shares remained unchanged, we risk a (type I) error with less than 0.5% probability. In general, we do not require such a stringent requirement for the level of type I error. We only require the probability of type I error to be less than or equal to 5%. In Appendix C and Chapter III type I error is referred to by the more common concept of statistical significance. Thus, we require a significance level of 5% or less, in order to reject the null hypothesis (that market shares did not change during Lome, compared to the preceding period).

AD-A109 608 DEPARTMENT OF STATE WASHINGTON DC OFFICE OF EXTERNAL--ETC F/G 5/4
THE LOME CONVENTIONS AND THEIR IMPLICATIONS FOR THE UNITED STAT--ETC(U)
NOV 81 J MOSS

UNCLASSIFIED FAR-251-GP NL

4 of 4

END
DATE
FILMED
82
DTIC



MICROCOPY RESOLUTION TEST CHART

NATIONAL BUREAU OF STANDARDS 1963 A

APPENDIX C

ACP COUNTRY GROUPINGS AND STATISTICAL TABLES

Tables C-3 through C-108 contain the export and import data for the country groupings listed in Table C-2. For example, Table C-3 contains the volume of exports from the ACP to the EEC for the years 1970 to 1979. The share of exports as a percentage of ACP exports to the entire world is given next, followed by the annual rate of growth of exports.

Export shares are then ranked, with lowest=1 and highest=10. The sum of the 1970-74 rankings provides the non-parametric statistic. For our example (Table C-3), the sum of the rankings equals 40. Thus, we can state, "Export shares did not increase during Lome I at a 0.4% significance level." In other words, there is only a 0.4% probability that we are in error by assuming that export shares did not increase. A more detailed explanation of the test is given in Appendix B.

Table C-1 lists the ACP countries. Table C-2 describes the ACP country groupings on which the non-parametric tests were performed.

Table C-1

LIST OF ACP COUNTRIES

Bahamas	Barbados	Benin
Botswana	Burundi	Cameroon
Cape Verde	Central Afr. Rep.	Chad
Comoros	Congo	Djibouti
Dominica	Equatorial Guinea	Ethiopia
Fiji	Gabon	Gambia
Ghana	Granada	Guinea
Guinea Bissau	Guyana	Ivory Coast
Jamaica	Kenya	Kiribati
Lesotho	Liberia	Madagascar
Malawi	Mali	Mauritania
Mauritius	Niger	Nigeria
Papua New Guinea	Rwanda	S. Lucia, S. Vincent & Grenadines
Sao Tome & Principe	Senegal	
Seychelles	Sierra Leone	Solomon Islands
Somalia	Sudan	Surinam
Swaziland	Tanzania	Togo
Tonga	Trinidad & Tobago	Tuvalu
Uganda	Upper Volta	Western Samoa
Zaire	Zambia	

Table C-2

LIST OF COUNTRIES CONTAINED IN ACP COUNTRY GROUPINGS

NON-OIL ACP

Barbados	Benin	Botswana
Burundi	Cameroon	Cape Verde
Central Afr. Rep.	Chad	Comoros
Djibouti	Dominica	Equatorial Guinea
Ethiopia	Fiji	Gambia
Ghana	Granada	Guinea
Guinea Bissau	Guyana	Ivory Coast
Jamaica	Kenya	Kiribati
Lesotho	Liberia	Madagascar
Malawi	Mali	Mauritania
Mauritius	Niger	Papua New Guinea
Rwanda	S. Lucia, S. Vincent & Grenadines	Sao Tome & Principe
Senegal		Seychelles
Sierra Leone	Solomon Islands	Somalia
Sudan	Surinam	Swaziland
Tanzania	Togo	Tonga
Tuvalu	Uganda	Upper Volta
Western Samoa	Zaire	Zambia

YAOUNDE ACP

Benin	Burundi	Cameroon
Central Afr. Rep.	Chad	Congo
Gabon	Ivory Coast	Madagascar
Mali	Mauritania	Niger
Rwanda	Senegal	Somalia
Togo	Upper Volta	Zaire

NON-OIL YAOUNDE ACP

Benin	Burundi	Cameroon
Chad	Congo	Ivory Coast
Madagascar	Mali	Mauritania
Niger	Rwanda	Senegal
Somalia	Togo	Upper Volta
Zaire		

ARUSHA ACP

Kenya	Uganda	Tanzania

COMMONWEALTH ACP

Bahamas	Barbados	Botswana
Dominica	Fiji	Gambia
Ghana	Granada	Guyana
Jamaica	Kenya	Kiribati
Lesotho	Malawi	Mauritius
Nigeria	Papua New Guinea	S. Lucia, S. Vin-cent & Grenadines
Seychelles	Sierra Leone	
Solomon Islands	Swaziland	Tanzania
Tonga	Trinidad & Tobago	Tuvalu
Uganda	Western Samoa	Zambia

NON-OIL COMMONWEALTH ACP

Barbados	Botswana	Dominica
Fiji	Gambia	Ghana
Granada	Guyana	Jamaica
Kenya	Kiribati	Lesotho
Malawi	Mauritius	Papua New Guinea
S. Lucia, S. Vin. & G.	Seychelles	Sierra Leone
Solomon Islands	Swaziland	Tanzania
Tonga	Tuvalu	Uganda
Western Samoa	Zambia	

LEAST DEVELOPED ACP

Benin	Botswana	Burundi
Cape Verde	Central Afr. Rep.	Chad
Comoros	Djibouti	Dominica
Ethiopia	Gambia	Grenada
Guinea	Guinea Bissau	Lesotho
Malawi	Mali	Mauritania
Niger	Rwanda	Sao Tome & Principe
Seychelles	Somalia	Sudan
Swaziland	Tanzania	Togo
Tonga	Tuvalu	Uganda
Upper Volta	Western Samoa	

LANDLOCKED ACP

Botswana	Burundi	Central Afr. Rep.
Chad	Lesotho	Malawi
Mali	Niger	Rwanda
Swaziland	Uganda	Upper Volta
Zambia		

ISLAND ACP

Bahamas	Barbados	Cape Verde
Comoros	Dominica	Fiji
Grenada	Jamaica	Madagascar
Mauritius	Papua New Guinea	Samoa
Sao Tome & Principe	Seychelles	Solomon Islands
S. Lucia, S.Vincent & Grenadines	Tonga	Trinidad & Tobago
	Tuvalu	

CARIBBEAN ACP

Bahamas	Barbados	Granada
Jamaica	Trinidad & Tobago	

OIL CARIBBEAN ACP

Bahamas	Trinidad & Tobago

PACIFIC & ASIAN ACP

Fiji	Kiribati	Papua New Guinea
Solomon Islands	Tonga	Tuvalu
Western Samoa		

PREVIOUSLY NON-ASSOCIATED ACP

Cape Verde	Equatorial Guinea	Ethiopia
Guinea	Guinea Bissau	Liberia
Sudan		

DEVELOPING COUNTRIES

World, excluding industrialized countries, South Africa, and European developing countries.

DEVELOPING NON-OIL COUNTRIES

Africa*	Asia	Middle East
Western Hemisphere		

MAJOR OIL DEVELOPING COUNTRIES

Iraq	Iran	Lybia
Nigeria	Saudi Arabia	Kuwait

LATIN AMERICA

Same as "Western Hemisphere" in the IMF Directions of Trade statistics, but excluding Caribbean ACP.

* Although the International Monetary Fund, Directions of Trade statistics include the exports and imports of Botswana, Lesotho and Swaziland in South Africa, for purposes of this study, these countries have been included in the African grouping. The African Grouping excludes African oil exporters.

TABLE C-3
EXPORTS from ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	4141	4098	4902	6407	11235	10323	11765	12989	13382	18705
EXPORT SHARES (%):	48.72	46.12	46.89	43.87	42.47	39.54	37.09	36.32	39.35	39.75
EXPORT GROWTH (%):	6.4	-1.0	19.6	30.7	75.3	-8.1	14.0	10.4	3.0	39.8
EXPORT RANKS:	10	8	9	7	6	4	2	1	3	5

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a .4 % significance level

TABLE C-4
EXPORTS from NON-OIL ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	3158	2772	3373	4271	5856	5725	6648	8043	8340	10271
EXPORT SHARES (%):	48.28	45.69	47.44	44.75	45.90	45.05	46.09	46.91	45.75	46.24
EXPORT GROWTH (%):	1.0	-12.2	21.7	26.6	37.1	-2.2	16.1	21.0	3.7	23.1
EXPORT RANKS:	10	3	9	1	5	2	6	8	4	7

EXPORT STATISTICS: Rank 70-74= 28 Rank 75-79= 27

EXPORT shares from NON-OIL ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 50 % significance level

TABLE C-5
EXPORTS from YAOUNDE ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1500	1412	1668	2060	3300	3250	4079	4631	4835	6262
EXPORT SHARES (%):	65.49	65.33	65.56	57.39	60.32	56.12	57.24	54.56	53.41	53.38
EXPORT GROWTH (%):	2.3	-5.9	18.1	23.5	60.2	-1.5	25.5	13.5	4.4	29.5
EXPORT RANKS:	9	8	10	6	7	4	5	3	2	1

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from YAOUNDE ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a .4 % significance level

TABLE C-6
EXPORTS from NON-OIL YAOUNDE ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1410	1290	1519	1814	2729	2586	3296	4078	4228	5352
EXPORT SHARES (%):	65.92	66.37	66.70	56.38	60.96	55.35	56.75	57.16	55.66	56.43
EXPORT GROWTH (%):	3.3	-8.5	17.8	19.4	50.4	-5.2	27.5	23.7	3.7	26.6
EXPORT RANKS:	8	9	10	3	7	1	5	6	2	4

EXPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

EXPORT shares from NON-OIL YAOUNDE ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-7
EXPORTS from ARUSHA ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	244	262	305	364	425	391	629	991	818	961
EXPORT SHARES (%):	28.92	30.71	31.68	32.34	31.51	30.82	38.22	42.98	41.32	43.88
EXPORT GROWTH (%):	4.1	7.1	16.5	19.4	16.9	-8.1	61.0	57.5	-17.5	17.5
EXPORT RANKS:	1	2	5	6	4	3	7	9	8	10

EXPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

EXPORT shares from ARUSHA ACP to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 2.8 % significance level

TABLE C-8
EXPORTS from COMMONWEALTH ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	2291	2354	2833	3814	7324	6451	6869	7543	7483	11213
EXPORT SHARES (%):	42.87	40.77	41.34	39.24	37.47	34.37	30.21	30.01	33.80	35.12
EXPORT GROWTH (%):	9.6	2.7	20.3	34.6	92.0	-11.9	6.5	9.8	-0.8	49.8
EXPORT RANKS:	10	8	9	7	6	4	2	1	3	5

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from COMMONWEALTH ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a .4 % significance level

TABLE C-9
EXPORTS from NON-OIL COMMONWEALTH ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1398	1151	1453	1925	2516	2516	2535	3150	3049	3687
EXPORT SHARES (%):	39.53	36.24	38.49	38.24	36.77	38.77	37.49	40.00	38.97	39.58
EXPORT GROWTH (%):	-2.0	-17.7	26.3	32.5	30.7	0.0	0.7	24.3	-3.2	20.9
EXPORT RANKS:	8	1	5	4	2	6	3	10	7	9

EXPORT STATISTICS: Rank 70-74= 20 Rank 75-79= 35

EXPORT shares from NON-OIL COMMONWEALTH ACP to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 7.5 % significance level

TABLE C-10
EXPORTS from LEAST DEVELOPED ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	608	636	735	903	1123	1149	1548	1719	1694	2266
EXPORT SHARES (%):	38.34	38.58	39.10	40.09	42.97	42.50	45.25	41.78	41.56	45.05
EXPORT GROWTH (%):	10.1	4.6	15.5	22.8	24.4	2.3	34.7	11.0	-1.5	33.8
EXPORT RANKS:	1	2	3	4	8	7	10	6	5	9

EXPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

EXPORT shares from LEAST DEVELOPED ACP to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 2.8 % significance level

TABLE C-11
EXPORTS from CARIBBEAN ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	147	163	175	177	294	446	406	525	727	1062
EXPORT SHARES (%):	15.41	13.84	13.27	10.62	6.83	8.62	6.88	8.37	16.79	18.58
EXPORT GROWTH (%):	-2.0	10.6	7.8	1.2	65.4	51.8	-9.0	29.4	38.4	46.1
EXPORT RANKS:	8	7	6	5	1	4	2	3	9	10

EXPORT STATISTICS: Rank 70-74= 27 Rank 75-79= 28

EXPORT shares from CARIBBEAN ACP to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 50 % significance level

TABLE C-12
EXPORTS from PACIFIC & ASIAN ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	58	56	97	163	267	281	233	286	337	435
EXPORT SHARES (%):	31.35	28.13	32.18	26.34	30.65	42.63	31.40	30.97	36.08	36.13
EXPORT GROWTH (%):	-7.4	-3.5	74.5	67.7	64.0	5.0	-16.9	22.9	17.6	29.1
EXPORT RANKS:	5	2	7	1	3	10	6	4	8	9

EXPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

EXPORT shares from PACIFIC & ASIAN ACP to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 2.8 % significance level

TABLE C-13
EXPORTS from PREV. NON-ASSOCIATED ACP countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	299	291	347	462	517	523	700	699	912	1011
EXPORT SHARES (%):	42.30	37.13	39.86	42.67	44.67	41.97	45.71	40.24	39.65	35.89
EXPORT GROWTH (%):	1.8	-2.5	19.0	33.3	11.9	1.2	33.7	-0.1	30.5	10.8
EXPORT RANKS:	7	2	4	8	9	6	10	5	3	1

EXPORT STATISTICS: Rank 70-74= 30 Rank 75-79= 25

EXPORT shares from PREV. NON-ASSOCIATED ACP to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 34.5 % significance level

TABLE C-14
EXPORTS from DCs exc. MAJOR OIL countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	10742	10268	12543	17663	23661	22962	28365	33389	37525	49765
EXPORT SHARES (%):	29.51	27.10	27.61	26.58	24.47	24.39	24.64	24.38	24.09	24.78
EXPORT GROWTH (%):	8.8	-4.4	22.1	40.8	34.0	-3.0	23.5	17.7	12.4	32.6
EXPORT RANKS:	10	8	9	7	4	3	5	2	1	6

EXPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

EXPORT shares from DCs exc. MAJOR OIL to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-15
EXPORTS from MAJOR OIL DCs countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	8249	10520	11645	16405	45487	37585	43818	44643	43707	63428
EXPORT SHARES (%):	46.36	46.78	44.62	41.83	39.70	35.50	33.73	31.05	30.55	31.42
EXPORT GROWTH (%):	12.9	27.5	10.7	40.9	177.3	-17.4	16.6	1.9	-2.1	45.1
EXPORT RANKS:	9	10	8	7	6	5	4	2	1	3

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from MAJOR OIL DCs to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a .4 % significance level

TABLE C-16
EXPORTS from LATIN AMERICA countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	4088	3795	4482	6186	7685	7269	8738	10954	11875	15428
EXPORT SHARES (%):	30.92	28.44	28.28	27.47	22.52	21.87	22.50	23.60	24.22	24.07
EXPORT GROWTH (%):	14.2	-7.2	18.1	38.0	24.2	-5.4	20.2	25.4	8.4	29.9
EXPORT RANKS:	10	9	8	7	3	1	2	4	6	5

EXPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

EXPORT shares from LATIN AMERICA to EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-17
IMPORTS to EEC9: ALL 9 COUNTRIES from ACP countries
(Intra-EEC trade excluded)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	4892	4828	5913	8223	13529	10615	12676	14797	14975	19742
IMPORT SHARES (%):	8.2	7.5	8.0	7.8	8.7	6.9	7.2	7.5	6.6	6.6
IMPORT RANKS:	9	5.5	8	7	10	3	4	5.5	1.5	1.5

IMPORT STATISTICS: Rank 70-74= 39.5 Rank 75-79= 15.5

IMPORT shares to EEC9: ALL 9 COUNTRIES from ACP countries
DID NOT increase during Lome I at a 1 % significance level

TABLE C-18
IMPORTS to EEC9: ALL 9 COUNTRIES from NON-OIL ACP countries
(Intra-EEC trade excluded)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	3818	3283	3991	5271	7153	5538	7218	9470	9529	11067
IMPORT SHARES (%):	6.4	5.1	5.4	5.0	4.6	3.6	4.1	4.8	4.2	3.7
IMPORT RANKS:	10	8	9	7	5	1	3	6	4	2.5

IMPORT STATISTICS: Rank 70-74= 39 Rank 75-79= 16

IMPORT shares to EEC9: ALL 9 COUNTRIES from NON-OIL ACP countries DID NOT increase during Lome I at a 1 % significance level

TABLE C-19
IMPORTS to EEC9: ALL 9 COUNTRIES from DEVELOPING countries
(Intra-EEC trade excluded)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	21773	24073	27422	39218	73398	66769	87149	85822	90303	120843
IMPORT SHARES (%):	36.5	37.4	37.1	37.2	47.2	43.4	49.5	43.5	39.8	40.4
IMPORT RANKS:	1	4	2	3	9	7	10	8	5	6

IMPORT STATISTICS: Rank 70-74= 19 Rank 75-79= 36

IMPORT shares to EEC9: ALL 9 COUNTRIES from DEVELOPING countries DID increase during Lome I at a 1 % significance level

TABLE C-20
IMPORTS to EEC9: ALL 9 COUNTRIES from NON-OIL DEVELOPING countries
(Intra-EEC trade excluded)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	12467	12294	14191	20558	27835	26308	30986	38077	42429	55336
IMPORT SHARES (%):	20.9	19.1	19.2	19.5	17.9	17.1	17.6	19.3	18.7	18.5
IMPORT RANKS:	10	6	7	9	3	1	2	8	5	4

IMPORT STATISTICS: Rank [illegible]74[illegible] 35 Rank 75-79= 20

IMPORT shares to EEC9: ALL 9 COUNTRIES from NON-OIL DEVELOPING countries DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-21
IMPORTS to EEC9: ALL 9 COUNTRIES from NON-ACP, NON-OIL DEVELOPING countries
(Intra-EEC trade excluded)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	8411	8690	9831	14760	19749	18923	22888	27621	31765	42175
IMPORT SHARES (%):	14.1	13.5	13.3	14.0	12.7	12.3	13.0	14.0	14.0	14.1
IMPORT RANKS:	9.5	5	4	7	2	1	3	7	7	9.5

IMPORT STATISTICS: Rank 70-74= 27.5 Rank 75-79= 27.5

IMPORT shares to EEC9: ALL 9 COUNTRIES from NON-ACP, NON-OIL DEVELOPING countries DID NOT increase during Lome I at a 50 % significance level

TABLE C-22
IMPORTS to EEC9: ALL 9 COUNTRIES from ACP countries
as a fraction of EEC9 imports from all DEVELOPING countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	4892	4828	5913	8223	13529	10615	12676	14797	14975	19742
IMPORT SHARES (%):	22.5	19.1	21.5	20.9	18.4	15.9	14.5	17.2	16.6	16.4
IMPORT RANKS:	10	7	9	8	6	2	1	5	4	3

IMPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

IMPORT shares to EEC9: ALL 9 COUNTRIES from ACP as a fraction of all DEVELOPING countries DID NOT increase during Lome I at a 1 % significance level

TABLE C-23
IMPORTS to EEC9: ALL 9 COUNTRIES from NON-OIL ACP countries
as a fraction of EEC9 imports from all DEVELOPING countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	3818	3283	3991	5271	7153	5538	7218	9470	9529	11067
IMPORT SHARES (%):	30.4	26.8	28.2	25.7	25.5	21.3	23.3	24.7	22.6	20.2
IMPORT RANKS:	10	8	9	7	6	2	4	5	3	1

IMPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

IMPORT shares to EEC9: ALL 9 COUNTRIES from NON-OIL ACP countries as a fraction of DEVEL. countries DID NOT increase during Lome I at a 1 % significance level

TABLE C-24
IMPORTS to ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	3862	4522	4790	5690	7395	10603	11930	15423	18789	17897
IMPORT SHARES (%):	44.24	43.43	44.08	42.64	35.18	39.14	40.73	42.87	44.51	40.18
IMPORT GROWTH (%):	19.2	17.1	5.9	18.8	30.0	43.4	12.5	29.3	21.8	-4.7
IMPORT RANKS:	9	7	8	5	1	2	4	6	10	3

IMPORT STATISTICS: Rank 70-74= 30 Rank 75-79= 25

IMPORT shares to ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 34.5 % significance level

TABLE C-25
IMPORTS to NON-OIL ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	2954	3335	3464	4103	5198	6276	6074	7670	10145	11256
IMPORT SHARES (%):	44.40	44.11	43.99	42.54	37.03	38.62	39.68	41.34	43.28	41.80
IMPORT GROWTH (%):	15.8	12.9	3.9	18.5	26.7	20.7	-3.2	26.3	32.3	10.9
IMPORT RANKS:	10	9	8	6	1	2	3	4	7	5

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to NON-OIL ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-26
IMPORTS to YAOUNDE ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1445	1623	1833	2278	2760	3640	3583	4780	5440	6769
IMPORT SHARES (%):	65.94	65.18	67.17	63.17	58.03	59.29	59.00	59.95	58.23	59.61
IMPORT GROWTH (%):	11.8	12.3	12.9	24.3	21.2	31.9	-1.6	33.4	13.8	24.4
IMPORT RANKS:	9	8	10	7	1	4	3	6	2	5

IMPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

IMPORT shares to YAOUNDE ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-27
IMPORTS to NON-OIL YAOUNDE ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1339	1490	1646	2055	2405	3167	3050	3951	4892	6080
IMPORT SHARES (%):	65.16	64.24	66.04	61.87	55.91	57.55	56.54	56.85	57.45	58.32
IMPORT GROWTH (%):	13.9	11.3	10.5	24.8	17.0	31.7	-3.7	29.5	23.8	24.3
IMPORT RANKS:	9	8	10	7	1	5	2	3	4	6

IMPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

IMPORT shares to NON-OIL YAOUNDE ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-28
IMPORTS to ARUSHA ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	393	514	468	505	722	694	675	988	1617	1451
IMPORT SHARES (%):	42.15	43.12	42.21	39.84	35.18	35.07	37.73	41.57	49.97	46.78
IMPORT GROWTH (%):	14.2	30.9	-9.0	7.9	43.0	-3.8	-2.8	46.3	63.7	-10.2
IMPORT RANKS:	6	8	7	4	2	1	3	5	10	9

IMPORT STATISTICS: Rank 70-74= 27 Rank 75-79= 28

IMPORT shares to ARUSHA ACP from EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 50 % significance level

TABLE C-29
IMPORTS to COMMONWEALTH ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	2048	2531	2540	2924	3988	6116	7427	9530	11585	9282
IMPORT SHARES (%):	36.24	36.61	36.00	34.47	27.61	32.83	35.60	37.63	40.97	33.14
IMPORT GROWTH (%):	25.5	23.6	0.4	15.1	36.4	53.4	21.4	28.3	21.6	-19.9
IMPORT RANKS:	7	8	6	4	1	2	5	9	10	3

IMPORT STATISTICS: Rank 70-74= 26 Rank 75-79= 29

IMPORT shares to COMMONWEALTH ACP from EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 42.1 % significance level

TABLE C-30
IMPORTS to NON-OIL COMMONWEALTH ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1247	1477	1401	1562	2146	2262	2104	2606	3489	3330
IMPORT SHARES (%):	33.59	34.88	32.57	30.81	27.11	26.84	27.85	29.20	33.75	29.39
IMPORT GROWTH (%):	17.6	18.5	-5.2	11.4	37.4	5.4	-7.0	23.8	33.9	-4.6
IMPORT RANKS:	8	10	7	6	2	1	3	4	9	5

IMPORT STATISTICS: Rank 70-74= 33 Rank 75-79= 22

IMPORT shares to NON-OIL COMMONWEALTH ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 15.5 % significance level

TABLE C-31
IMPORTS to LEAST DEVELOPED ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	796	906	995	1193	1507	2004	1949	2570	3602	3925
IMPORT SHARES (%):	44.95	43.40	45.33	44.31	39.28	42.47	44.44	47.10	49.43	47.68
IMPORT GROWTH (%):	9.5	13.8	9.8	19.9	26.4	32.9	-2.7	31.8	40.2	9.0
IMPORT RANKS:	6	3	7	4	1	2	5	8	10	9

IMPORT STATISTICS: Rank 70-74= 21 Rank 75-79= 34

IMPORT shares to LEAST DEVELOPED ACP from EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 11.1 % significance level

TABLE C-32
IMPORTS to CARIBBEAN ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	380	392	452	458	491	523	497	532	883	843
IMPORT SHARES (%):	24.64	21.06	22.45	19.20	10.04	9.50	7.94	8.16	13.09	10.05
IMPORT GROWTH (%):	22.2	2.9	15.4	1.4	7.3	6.5	-5.0	6.9	66.1	-4.5
IMPORT RANKS:	10	8	9	7	4	3	1	2	6	5

IMPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

IMPORT shares to CARIBBEAN ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-33
IMPORTS to PACIFIC & ASIAN ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	49	53	62	64	70	97	67	74	84	112
IMPORT SHARES (%):	11.57	10.79	12.32	10.41	8.46	10.94	8.19	7.55	7.12	7.51
IMPORT GROWTH (%):	22.2	8.9	16.9	2.0	9.6	39.4	-31.1	10.7	13.4	33.0
IMPORT RANKS:	9	7	10	6	5	8	4	3	1	2

IMPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

IMPORT shares to PACIFIC & ASIAN ACP from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-34
IMPORTS to PREV. NON-ASSOCIATED ACP countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	302	298	332	388	501	710	793	910	1559	1626
IMPORT SHARES (%):	42.11	36.07	38.31	38.30	34.31	36.66	40.84	42.57	39.37	35.96
IMPORT GROWTH (%):	20.2	-1.2	11.4	17.1	29.1	41.6	11.7	14.8	71.4	4.3
IMPORT RANKS:	9	3	6	5	1	4	8	10	7	2

IMPORT STATISTICS: Rank 70-74= 24 Rank 75-79= 31

IMPORT shares to PREV. NON-ASSOCIATED ACP from EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 27.4 % significance level

TABLE C-35
IMPORTS to DCs exc. MAJOR OIL countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	12300	14044	15464	20050	28874	31906	30098	36568	47030	59775
IMPORT SHARES (%):	26.69	27.07	27.21	25.50	22.31	23.35	21.12	22.16	23.31	22.84
IMPORT GROWTH (%):	11.7	14.2	10.1	29.7	44.0	10.5	-5.7	21.5	28.6	27.1
IMPORT RANKS:	8	9	10	7	3	6	1	2	5	4

IMPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

IMPORT shares to DCs exc. MAJOR OIL from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-36
IMPORTS to MAJOR OIL DCs countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	4117	4813	5858	7866	12141	20748	25735	34578	42187	42482
IMPORT SHARES (%):	41.98	41.94	41.42	39.34	37.40	40.41	40.54	40.46	41.98	40.92
IMPORT GROWTH (%):	12.3	16.9	21.7	34.3	54.3	70.9	24.0	34.4	22.0	0.7
IMPORT RANKS:	9	8	7	2	1	3	5	4	10	6

IMPORT STATISTICS: Rank 70-74= 27 Rank 75-79= 28

IMPORT shares to MAJOR OIL DCs from EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a 50 % significance level

TABLE C-37
IMPORTS to LATIN AMERICA countries from EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	3964	4479	5204	6103	9156	9570	8466	8964	11233	15606
IMPORT SHARES (%):	25.17	25.33	26.35	23.16	19.12	19.39	16.68	16.69	18.31	18.73
IMPORT GROWTH (%):	17.6	13.0	16.2	17.3	50.0	4.5	-11.5	5.9	25.3	38.9
IMPORT RANKS:	8	9	10	7	5	6	1	2	3	4

IMPORT STATISTICS: Rank 70-74= 39 Rank 75-79= 16

IMPORT shares to LATIN AMERICA from EEC9: ALL 9 COUNTRIES
DID NOT increase during Lome I at a .8 % significance level

TABLE C-38
EXPORTS from ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	2753	2794	3412	4478	8016	7235	8789	9935	10741	15592
EXPORT SHARES (%):	32.39	31.45	32.64	30.66	30.30	27.71	27.71	27.78	31.59	33.13
EXPORT GROWTH (%):	7.1	1.5	22.1	31.2	79.0	-9.7	21.5	13.0	8.1	45.2
EXPORT RANKS:	8	6	9	5	4	2	1	3	7	10

EXPORT STATISTICS: Rank 70-74= 32 Rank 75-79= 23

EXPORT shares from ACP to EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 21 % significance level

TABLE C-39
EXPORTS from NON-OIL ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	2192	1955	2438	3098	4396	4066	5080	6143	6391	7842
EXPORT SHARES (%):	33.51	32.22	34.30	32.45	34.45	32.00	35.22	35.83	35.05	35.31
EXPORT GROWTH (%):	2.6	-10.8	24.7	27.0	41.9	-7.5	24.9	20.9	4.0	22.7
EXPORT RANKS:	4	2	5	3	6	1	8	10	7	9

EXPORT STATISTICS: Rank 70-74= 20 Rank 75-79= 35

EXPORT shares from NON-OIL ACP to EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a 7.5 % significance level

TABLE C-40
EXPORTS from YAOUNDE ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1392	1314	1552	1885	3056	2962	3714	4292	4449	5759
EXPORT SHARES (%):	60.75	60.81	61.02	52.51	55.87	51.14	52.12	50.57	49.14	49.09
EXPORT GROWTH (%):	3.5	-5.6	18.1	21.4	62.1	-3.1	25.4	15.6	3.6	29.4
EXPORT RANKS:	8	9	10	6	7	4	5	3	2	1

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from YAOUNDE ACP to EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a .4 % significance level

TABLE C-41
EXPORTS from NON-OIL YAOUNDE ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1306	1197	1413	1662	2557	2388	3040	3757	3860	4884
EXPORT SHARES (%):	61.06	61.61	62.05	51.67	57.12	51.13	52.34	52.66	50.82	51.48
EXPORT GROWTH (%):	4.6	-8.4	18.0	17.7	53.8	-6.6	27.3	23.6	2.7	26.5
EXPORT RANKS:	8	9	10	4	7	2	5	6	1	3

EXPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

EXPORT shares from NON-OIL YAOUNDE ACP to EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-42
EXPORTS from COMMONWEALTH ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1056	1178	1488	2102	4399	3700	4345	4911	5329	8748
EXPORT SHARES (%):	19.75	20.40	21.71	21.62	22.51	19.72	19.11	19.54	24.07	27.40
EXPORT GROWTH (%):	13.6	11.6	26.3	41.3	109.3	-15.9	17.4	13.0	8.5	64.1
EXPORT RANKS:	4	5	7	6	8	3	1	2	9	10

EXPORT STATISTICS: Rank 70-74= 30 Rank 75-79= 25

EXPORT shares from COMMONWEALTH ACP to EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 34.5 % significance level

TABLE C-43
EXPORTS from NON-OIL COMMONWEALTH ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	579	456	654	945	1279	1105	1311	1654	1567	1873
EXPORT SHARES (%):	16.38	14.36	17.32	18.77	18.68	17.03	19.38	21.00	20.03	20.10
EXPORT GROWTH (%):	-2.0	-21.3	43.4	44.5	35.3	-13.6	18.6	26.2	-5.3	19.5
EXPORT RANKS:	2	1	4	6	5	3	7	10	8	9

EXPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

EXPORT shares from NON-OIL COMMONWEALTH ACP to EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a 2.8 % significance level

TABLE C-44
EXPORTS from PREV. NON-ASSOCIATED ACP countries to EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	257	263	320	426	478	488	654	637	839	903
EXPORT SHARES (%):	36.31	33.51	36.73	39.37	41.27	39.14	42.74	36.67	36.47	32.06
EXPORT GROWTH (%):	-0.3	2.5	21.5	33.4	12.1	2.1	34.0	-2.7	31.8	7.6
EXPORT RANKS:	3	2	6	8	9	7	10	5	4	1

EXPORT STATISTICS: Rank 70-74= 28 Rank 75-79= 27

EXPORT shares from PREV. NON-ASSOCIATED ACP to EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 50 % significance level

TABLE C-45
IMPORTS to ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	2436	2772	3110	3877	5172	7214	8056	10753	12776	13036
IMPORT SHARES (%):	27.90	26.62	28.62	29.06	24.61	26.63	27.50	29.89	30.27	29.27
IMPORT GROWTH (%):	19.7	13.8	12.2	24.7	33.4	39.5	11.7	33.5	18.8	2.0
IMPORT RANKS:	5	2	6	7	1	3	4	9	10	8

IMPORT STATISTICS: Rank 70-74= 21 Rank 75-79= 34

IMPORT shares to ACP from EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a 11.1 % significance level

TABLE C-46
IMPORTS to NON-OIL ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1991	2220	2418	2979	3805	4529	4448	5866	7593	8438
IMPORT SHARES (%):	29.93	29.37	30.71	30.88	27.11	27.87	29.06	31.62	32.39	31.33
IMPORT GROWTH (%):	17.4	11.5	8.9	23.2	27.7	19.0	-1.8	31.9	29.5	11.1
IMPORT RANKS:	5	4	6	7	1	2	3	9	10	8

IMPORT STATISTICS: Rank 70-74= 23 Rank 75-79= 32

IMPORT shares to NON-OIL ACP from EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a 21 % significance level

TABLE C-47
IMPORTS to YAOUNDE ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1344	1502	1724	2147	2587	3394	3363	4470	5059	6319
IMPORT SHARES (%):	61.31	60.34	63.17	59.54	54.39	55.28	55.37	56.06	54.15	55.65
IMPORT GROWTH (%):	11.3	11.8	14.7	24.6	20.5	31.2	-0.9	32.9	13.2	24.9
IMPORT RANKS:	9	8	10	7	2	3	4	6	1	5

IMPORT STATISTICS: Rank 70-74= 36 Rank 75-79= 19

IMPORT shares to YAOUNDE ACP from EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 4.8 % significance level

TABLE C-48
IMPORTS to NON-OIL YAOUNDE ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1242	1374	1543	1932	2239	2925	2842	3659	4534	5660
IMPORT SHARES (%):	60.43	59.24	61.90	58.17	52.05	53.16	52.68	52.65	53.24	54.29
IMPORT GROWTH (%):	13.5	10.6	12.3	25.2	15.9	30.7	-2.8	28.7	23.9	24.8
IMPORT RANKS:	9	8	10	7	1	4	3	2	5	6

IMPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

IMPORT shares to NON-OIL YAOUNDE ACP from EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-49
IMPORTS to COMMONWEALTH ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	833	1009	1096	1396	2112	3244	4081	5448	6431	5457
IMPORT SHARES (%):	14.75	14.59	15.53	16.46	14.62	17.42	19.56	21.51	22.74	19.48
IMPORT GROWTH (%):	36.3	21.1	8.6	27.4	51.3	53.6	25.8	33.5	18.0	-15.1
IMPORT RANKS:	3	1	4	5	2	6	8	9	10	7

IMPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

IMPORT shares to COMMONWEALTH ACP from EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a .4 % significance level

TABLE C-50
IMPORTS to NON-OIL COMMONWEALTH ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	491	586	585	713	1093	1028	993	1372	1773	1519
IMPORT SHARES (%):	13.23	13.85	13.59	14.06	13.81	12.20	13.15	15.37	17.15	13.41
IMPORT GROWTH (%):	27.3	19.4	-0.3	21.9	53.3	-5.9	-3.4	38.1	29.3	-14.4
IMPORT RANKS:	3	7	5	8	6	1	2	9	10	4

IMPORT STATISTICS: Rank 70-74= 29 Rank 75-79= 26

IMPORT shares to NON-OIL COMMONWEALTH ACP from EEC6: FR/BX/GE/NL/IT
DID NOT increase during Lome I at a 42.1 % significance level

TABLE C-51
IMPORTS to PREV. NON-ASSOCIATED ACP countries from EEC6: FR/BX/GE/NL/IT

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	203	202	218	249	348	464	511	665	1126	1087
IMPORT SHARES (%):	28.34	24.43	25.13	24.57	23.79	23.96	26.33	31.12	28.44	24.04
IMPORT GROWTH (%):	23.8	-0.5	7.8	14.5	39.5	33.4	10.2	30.1	69.4	-3.5
IMPORT RANKS:	8	4	6	5	1	2	7	10	9	3

IMPORT STATISTICS: Rank 70-74= 24 Rank 75-79= 31

IMPORT shares to PREV. NON-ASSOCIATED ACP from EEC6: FR/BX/GE/NL/IT
DID increase during Lome I at a 27.4 % significance level

TABLE C-52
EXPORTS from ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1344	1242	1423	1845	3085	2918	2854	2879	2428	2798
EXPORT SHARES (%):	15.81	13.98	13.61	12.63	11.66	11.18	9.00	8.05	7.14	5.94
EXPORT GROWTH (%):	6.0	-7.6	14.6	29.7	67.2	-5.4	-2.2	0.9	-15.7	15.2
EXPORT RANKS:	10	9	8	7	6	5	4	3	2	1

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from ACP to UNITED KINGDOM
DID NOT increase during Lome I at a .4 % significance level

TABLE C-53
EXPORTS from NON-OIL ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	937	792	904	1132	1399	1599	1491	1783	1843	2266
EXPORT SHARES (%):	14.32	13.05	12.72	11.86	10.96	12.58	10.34	10.40	10.11	10.20
EXPORT GROWTH (%):	-2.4	-15.5	14.2	25.2	23.6	14.3	-6.7	19.6	3.3	23.0
EXPORT RANKS:	10	9	8	6	5	7	3	4	1	2

EXPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

EXPORT shares from NON-OIL ACP to UNITED KINGDOM
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-54
EXPORTS from YAOUNDE ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	104	94	110	167	233	280	348	283	348	441
EXPORT SHARES (%):	4.56	4.33	4.33	4.66	4.27	4.83	4.88	3.33	3.84	3.76
EXPORT GROWTH (%):	-9.8	-10.5	17.8	51.7	39.5	19.8	24.5	-18.7	22.9	26.9
EXPORT RANKS:	7	5	6	8	4	9	10	1	3	2

EXPORT STATISTICS: Rank 70-74= 30 Rank 75-79= 25

EXPORT shares from YAOUNDE ACP to UNITED KINGDOM
DID NOT increase during Lome I at a 34.5 % significance level

TABLE C-55
EXPORTS from NON-OIL YAOUNDE ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	100	89	101	145	163	190	240	277	338	410
EXPORT SHARES (%):	4.68	4.59	4.45	4.52	3.65	4.06	4.14	3.88	4.44	4.32
EXPORT GROWTH (%):	-9.8	-10.9	13.6	43.5	12.2	16.1	26.8	15.3	21.9	21.4
EXPORT RANKS:	10	9	7	8	1	3	4	2	6	5

EXPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

EXPORT shares from NON-OIL YAOUNDE ACP to UNITED KINGDOM
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-56
EXPORTS from COMMONWEALTH ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1197	1119	1284	1636	2807	2597	2431	2529	1989	2229
EXPORT SHARES (%):	22.40	19.38	18.74	16.83	14.36	13.84	10.69	10.06	8.98	6.98
EXPORT GROWTH (%):	7.2	-6.5	14.8	27.4	71.5	-7.5	-6.4	4.0	-21.4	12.1
EXPORT RANKS:	10	9	8	7	6	5	4	3	2	1

EXPORT STATISTICS: Rank 70-74= 40 Rank 75-79= 15

EXPORT shares from COMMONWEALTH ACP to UNITED KINGDOM
DID NOT increase during Lome I at a .4 % significance level

TABLE C-57
EXPORTS from NON-OIL COMMONWEALTH ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	794	673	775	946	1191	1368	1175	1438	1413	1728
EXPORT SHARES (%):	22.45	21.20	20.52	18.78	17.40	21.09	17.38	18.27	18.06	18.55
EXPORT GROWTH (%):	-2.3	-15.2	15.1	22.0	25.9	14.9	-14.1	22.4	-1.8	22.3
EXPORT RANKS:	10	9	7	6	2	8	1	4	3	5

EXPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

EXPORT shares from NON-OIL COMMONWEALTH ACP to UNITED KINGDOM
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-58
EXPORTS from PREV. NON-ASSOCIATED ACP countries to UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	41	28	26	35	34	31	37	46	66	93
EXPORT SHARES (%):	5.83	3.53	3.02	3.23	2.92	2.50	2.40	2.65	2.85	3.29
EXPORT GROWTH (%):	18.0	-32.9	-5.0	32.9	-3.3	-7.6	17.8	25.1	42.4	41.4
EXPORT RANKS:	10	9	6	7	5	2	1	3	4	8

EXPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

EXPORT shares from PREV. NON-ASSOCIATED ACP to UNITED KINGDOM
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-59
IMPORTS to ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1373	1685	1607	1717	2102	3206	3652	4366	5672	4568
IMPORT SHARES (%):	15.72	16.18	14.79	12.87	10.00	11.83	12.47	12.14	13.44	10.26
IMPORT GROWTH (%):	17.7	22.7	-4.6	6.9	22.4	52.5	13.9	19.5	29.9	-19.5
IMPORT RANKS:	9	10	8	6	1	3	5	4	7	2

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-60
IMPORTS to NON-OIL ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	926	1070	998	1063	1310	1653	1537	1679	2362	2629
IMPORT SHARES (%):	13.92	14.16	12.67	11.02	9.33	10.17	10.04	9.05	10.07	9.76
IMPORT GROWTH (%):	11.8	15.6	-6.8	6.6	23.2	26.1	-7.0	9.2	40.7	11.3
IMPORT RANKS:	9	10	8	7	2	6	4	1	5	3

IMPORT STATISTICS: Rank 70-74= 36 Rank 75-79= 19

IMPORT shares to NON-OIL ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 4.8 % significance level

TABLE C-61
IMPORTS to YAOUNDE ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	94	111	99	114	155	228	202	275	346	410
IMPORT SHARES (%):	4.27	4.44	3.62	3.16	3.25	3.72	3.33	3.45	3.70	3.61
IMPORT GROWTH (%):	16.5	18.1	-10.6	15.4	35.7	47.7	-11.5	36.0	25.8	18.7
IMPORT RANKS:	9	10	6	1	2	8	3	4	7	5

IMPORT STATISTICS: Rank 70-74= 28 Rank 75-79= 27

IMPORT shares to YAOUNDE ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 50 % significance level

TABLE C-62
IMPORTS to NON-OIL YAOUNDE ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	89	106	94	106	148	226	191	259	325	383
IMPORT SHARES (%):	4.35	4.59	3.75	3.20	3.44	4.10	3.54	3.72	3.81	3.67
IMPORT GROWTH (%):	17.9	18.9	-12.1	13.8	39.1	52.5	-15.3	35.2	25.7	17.8
IMPORT RANKS:	9	10	6	1	2	8	3	5	7	4

IMPORT STATISTICS: Rank 70-74= 28 Rank 75-79= 27

IMPORT shares to NON-OIL YAOUNDE ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 50 % significance level

TABLE C-63
IMPORTS to COMMONWEALTH ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1176	1476	1391	1460	1787	2723	3158	3838	4920	3629
IMPORT SHARES (%):	20.81	21.35	19.72	17.21	12.37	14.62	15.14	15.15	17.40	12.96
IMPORT GROWTH (%):	18.6	25.5	-5.7	4.9	22.4	52.4	15.9	21.6	28.2	-26.2
IMPORT RANKS:	9	10	8	6	1	3	4	5	7	2

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to COMMONWEALTH ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-64
IMPORTS to NON-OIL COMMONWEALTH ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	734	866	787	813	1003	1173	1053	1167	1631	1718
IMPORT SHARES (%):	19.77	20.45	18.30	16.05	12.67	13.92	13.94	13.08	15.77	15.16
IMPORT GROWTH (%):	11.5	18.0	-9.1	3.3	23.2	17.0	-10.2	10.8	39.7	5.3
IMPORT RANKS:	9	10	8	7	1	3	4	2	6	5

IMPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

IMPORT shares to NON-OIL COMMONWEALTH ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-65
IMPORTS to PREV. NON-ASSOCIATED ACP countries from UNITED KINGDOM

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	92	88	106	130	141	230	270	223	368	488
IMPORT SHARES (%):	12.86	10.61	12.28	12.85	9.68	11.86	13.89	10.44	9.29	10.80
IMPORT GROWTH (%):	12.3	-4.9	21.4	22.5	8.5	62.4	17.4	-17.3	65.0	32.7
IMPORT RANKS:	9	4	7	8	2	6	10	3	1	5

IMPORT STATISTICS: Rank 70-74= 30 Rank 75-79= 25

IMPORT shares to PREV. NON-ASSOCIATED ACP from UNITED KINGDOM
DID NOT increase during Lome I at a 34.5 % significance level

TABLE C-66
EXPORTS from ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	44	62	67	85	134	171	122	174	212	315
EXPORT SHARES (%):	0.52	0.70	0.64	0.58	0.51	0.65	0.38	0.49	0.62	0.67
EXPORT GROWTH (%):	-14.7	41.4	8.2	25.9	58.3	27.7	-28.7	43.1	21.7	48.7
EXPORT RANKS:	4	10	7	5	3	8	1	2	6	9

EXPORT STATISTICS: Rank 70-74= 29 Rank 75-79= 26

EXPORT shares from ACP to EEC2: DK/IR
DID NOT increase during Lome I at a 42.1 % significance level

TABLE C-67
EXPORTS from NON-OIL ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	29	26	30	42	61	60	78	118	107	162
EXPORT SHARES (%):	0.45	0.42	0.42	0.43	0.48	0.47	0.54	0.69	0.59	0.73
EXPORT GROWTH (%):	1.4	-12.6	17.4	37.9	47.4	-1.6	29.0	51.6	-9.0	51.2
EXPORT RANKS:	4	1	2	3	6	5	7	9	8	10

EXPORT STATISTICS: Rank 70-74= 16 Rank 75-79= 39

EXPORT shares from NON-OIL ACP to EEC2: DK/IR
DID increase during Lome I at a .8 % significance level

TABLE C-68
EXPORTS from YAOUNDE ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	4	4	5	8	10	9	16	56	39	62
EXPORT SHARES (%):	0.19	0.19	0.21	0.22	0.19	0.15	0.23	0.66	0.43	0.53
EXPORT GROWTH (%):	-36.2	-3.7	28.5	45.7	33.5	-17.3	90.9	239.1	-30.6	60.2
EXPORT RANKS:	2	4	5	6	3	1	7	10	8	9

EXPORT STATISTICS: Rank 70-74= 20 Rank 75-79= 35

EXPORT shares from YAOUNDE ACP to EEC2: DK/IR
DID increase during Lome I at a 7.5 % significance level

TABLE C-69
EXPORTS from NON-OIL YAOUNDE ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	4	3	5	6	9	8	16	44	30	59
EXPORT SHARES (%):	0.17	0.17	0.20	0.19	0.20	0.17	0.28	0.62	0.39	0.62
EXPORT GROWTH (%):	-37.9	-11.7	38.2	38.9	40.1	-8.6	99.3	175.4	-32.0	96.8
EXPORT RANKS:	3	1	6	4	5	2	7	9	8	10

EXPORT STATISTICS: Rank 70-74= 19 Rank 75-79= 36

EXPORT shares from NON-OIL YAOUNDE ACP to EEC2: DK/IR
DID increase during Lome I at a 4.8 % significance level

TABLE C-70
EXPORTS from COMMONWEALTH ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	38	57	61	76	118	153	93	103	165	236
EXPORT SHARES (%):	0.72	0.99	0.89	0.78	0.60	0.81	0.41	0.41	0.75	0.74
EXPORT GROWTH (%):	-11.7	48.8	6.4	25.0	55.0	29.8	-39.2	10.6	60.6	43.3
EXPORT RANKS:	4	10	9	7	3	8	1	2	6	5

EXPORT STATISTICS: Rank 70-74= 33 Rank 75-79= 22

EXPORT shares from COMMONWEALTH ACP to EEC2: DK/IR
DID NOT increase during Lome I at a 15.5 % significance level

TABLE C-71
EXPORTS from NON-OIL COMMONWEALTH ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	25	22	25	35	47	43	49	58	69	86
EXPORT SHARES (%):	0.69	0.68	0.65	0.69	0.68	0.66	0.73	0.73	0.88	0.92
EXPORT GROWTH (%):	12.5	-11.6	13.5	40.2	35.6	-8.5	14.7	17.6	19.0	25.2
EXPORT RANKS:	6	3	1	5	4	2	7	8	9	10

EXPORT STATISTICS: Rank 70-74= 19 Rank 75-79= 36

EXPORT shares from NON-OIL COMMONWEALTH ACP to EEC2: DK/IR
DID increase during Lome I at a 4.8 % significance level

TABLE C-72
EXPORTS from PREV. NON-ASSOCIATED ACP countries to EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1	1	1	1	6	4	9	16	8	15
EXPORT SHARES (%):	0.16	0.09	0.11	0.07	0.48	0.32	0.57	0.92	0.33	0.54
EXPORT GROWTH (%):	-5.1	-37.8	33.3	-19.6	651.4	-28.2	120.1	81.8	-52.6	100.2
EXPORT RANKS:	4	2	3	1	7	5	9	10	6	8

EXPORT STATISTICS: Rank 70-74= 17 Rank 75-79= 38

EXPORT shares from PREV. NON-ASSOCIATED ACP to EEC2: DK/IR
DID increase during Lome I at a 1.6 % significance level

TABLE C-73
IMPORTS to ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	54	65	72	95	121	184	221	304	341	294
IMPORT SHARES (%):	0.61	0.63	0.67	0.71	0.58	0.68	0.76	0.84	0.81	0.66
IMPORT GROWTH (%):	38.3	21.7	10.8	31.5	27.3	51.5	20.5	37.3	12.2	-13.9
IMPORT RANKS:	2	3	5	7	1	6	8	10	9	4

IMPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

IMPORT shares to ACP from EEC2: DK/IR
DID increase during Lome I at a 2.8 % significance level

TABLE C-74
IMPORTS to NON-OIL ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	37	44	48	62	83	95	90	125	190	189
IMPORT SHARES (%):	0.55	0.58	0.61	0.64	0.59	0.58	0.59	0.68	0.81	0.70
IMPORT GROWTH (%):	40.3	19.5	8.6	28.8	34.3	14.2	-5.2	39.7	51.9	-0.5
IMPORT RANKS:	1	3	6	7	5	2	4	8	10	9

IMPORT STATISTICS: Rank 70-74= 22 Rank 75-79= 33

IMPORT shares to NON-OIL ACP from EEC2: DK/IR
DID increase during Lome I at a 15.5 % significance level

TABLE C-75
IMPORTS to YAOUNDE ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	8	10	10	17	18	18	18	35	35	40
IMPORT SHARES (%):	0.36	0.40	0.38	0.47	0.39	0.29	0.30	0.44	0.38	0.35
IMPORT GROWTH (%):	43.1	26.5	4.6	64.7	8.2	-2.4	1.2	92.0	0.9	12.2
IMPORT RANKS:	4	8	6	10	7	1	2	9	5	3

IMPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

IMPORT shares to YAOUNDE ACP from EEC2: DK/IR
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-76
IMPORTS to NON-OIL YAOUNDE ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	8	10	10	17	18	16	17	33	34	38
IMPORT SHARES (%):	0.37	0.41	0.40	0.50	0.42	0.29	0.31	0.48	0.40	0.36
IMPORT GROWTH (%):	41.1	26.6	2.8	68.7	8.4	-11.8	5.1	98.9	1.4	12.3
IMPORT RANKS:	4	7	5	10	8	1	2	9	6	3

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to NON-OIL YAOUNDE ACP from EEC2: DK/IR
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-77
IMPORTS to COMMONWEALTH ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	39	46	53	68	88	148	188	244	234	196
IMPORT SHARES (%):	0.68	0.66	0.75	0.80	0.61	0.79	0.90	0.96	0.83	0.70
IMPORT GROWTH (%):	36.2	19.3	15.9	28.1	29.3	67.6	27.0	29.8	-3.9	-16.5
IMPORT RANKS:	3	2	5	7	1	6	9	10	8	4

IMPORT STATISTICS: Rank 70-74= 18 Rank 75-79= 37

IMPORT shares to COMMONWEALTH ACP from EEC2: DK/IR
DID increase during Lome I at a 2.8 % significance level

TABLE C-78
IMPORTS to NON-OIL COMMONWEALTH ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	22	25	29	35	50	61	58	67	85	93
IMPORT SHARES (%):	0.59	0.59	0.68	0.69	0.64	0.72	0.77	0.75	0.83	0.82
IMPORT GROWTH (%):	38.7	13.8	16.8	20.0	43.3	21.3	-5.2	16.2	26.9	9.1
IMPORT RANKS:	2	1	4	5	3	6	8	7	10	9

IMPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

IMPORT shares to NON-OIL COMMONWEALTH ACP from EEC2: DK/IR
DID increase during Lome I at a .4 % significance level

TABLE C-79
IMPORTS to PREV. NON-ASSOCIATED ACP countries from EEC2: DK/IR

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	7	9	8	9	12	16	12	22	65	51
IMPORT SHARES (%):	0.91	1.03	0.90	0.88	0.84	0.84	0.62	1.02	1.63	1.13
IMPORT GROWTH (%):	29.4	29.8	-8.1	13.8	37.4	33.8	-26.2	80.5	197.3	-21.2
IMPORT RANKS:	6	8	5	4	2	3	1	7	10	9

IMPORT STATISTICS: Rank 70-74= 25 Rank 75-79= 30

IMPORT shares to PREV. NON-ASSOCIATED ACP from EEC2: DK/IR
DID increase during Lome I at a 34.5 % significance level

TABLE C-80
EXPORTS from ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1435	1780	2069	2939	7151	7653	10721	12083	10102	15095
EXPORT SHARES (%):	16.88	20.03	19.79	20.12	27.03	29.32	33.80	33.79	29.71	32.07
EXPORT GROWTH (%):	21.4	24.0	16.3	42.1	143.3	7.0	40.1	12.7	-16.4	49.4
EXPORT RANKS:	1	3	2	4	5	6	10	9	7	8

EXPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

EXPORT shares from ACP to UNITED STATES
DID increase during Lome I at a .4 % significance level

TABLE C-81
EXPORTS from NON-OIL ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	980	987	1036	1201	1749	1866	2357	2726	2781	3276
EXPORT SHARES (%):	14.98	16.27	14.58	12.58	13.71	14.68	16.34	15.90	15.25	14.75
EXPORT GROWTH (%):	26.3	0.7	5.0	15.9	45.7	6.7	26.3	15.6	2.0	17.8
EXPORT RANKS:	6	9	3	1	2	4	10	8	7	5

EXPORT STATISTICS: Rank 70-74= 21 Rank 75-79= 34

EXPORT shares from NON-OIL ACP to UNITED STATES
DID increase during Lome I at a 11.1 % significance level

TABLE C-82
EXPORTS from YAOUNDE ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	193	215	229	243	430	555	745	855	965	1370
EXPORT SHARES (%):	8.40	9.95	9.00	6.77	7.87	9.58	10.45	10.07	10.65	11.68
EXPORT GROWTH (%):	23.9	11.7	6.5	6.2	77.0	28.8	34.3	14.7	12.9	42.0
EXPORT RANKS:	3	6	4	1	2	5	8	7	9	10

EXPORT STATISTICS: Rank 70-74= 16 Rank 75-79= 39

EXPORT shares from YAOUNDE ACP to UNITED STATES
DID increase during Lome I at a .8 % significance level

TABLE C-83
EXPORTS from NON-OIL YAOUNDE ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	187	200	210	221	227	274	478	618	787	985
EXPORT SHARES (%):	8.75	10.27	9.22	6.87	5.06	5.86	8.22	8.65	10.36	10.39
EXPORT GROWTH (%):	35.3	6.7	5.2	5.3	2.6	20.9	74.3	29.3	27.5	25.2
EXPORT RANKS:	6	8	7	3	1	2	4	5	9	10

EXPORT STATISTICS: Rank 70-74= 25 Rank 75-79= 30

EXPORT shares from NON-OIL YAOUNDE ACP to UNITED STATES
DID increase during Lome I at a 34.5 % significance level

TABLE C-84
EXPORTS from COMMONWEALTH ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1064	1369	1641	2476	6439	6821	9625	10852	8680	13269
EXPORT SHARES (%):	19.91	23.70	23.95	25.46	32.95	36.34	42.33	43.17	39.20	41.56
EXPORT GROWTH (%):	24.8	28.6	19.9	50.9	160.1	5.9	41.1	12.7	-20.0	52.9
EXPORT RANKS:	1	2	3	4	5	6	9	10	7	8

EXPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

EXPORT shares from COMMONWEALTH ACP to UNITED STATES
DID increase during Lome I at a .4 % significance level

TABLE C-85
EXPORTS from NON-OIL COMMONWEALTH ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	614	592	627	760	1242	1314	1529	1732	1537	1836
EXPORT SHARES (%):	17.37	18.64	16.62	15.09	18.14	20.25	22.61	21.99	19.65	19.70
EXPORT GROWTH (%):	32.5	-3.7	6.0	21.1	63.5	5.9	16.3	13.3	-11.2	19.4
EXPORT RANKS:	3	5	2	1	4	8	10	9	6	7

EXPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

EXPORT shares from NON-OIL COMMONWEALTH ACP to UNITED STATES
DID increase during Lome I at a .4 % significance level

TABLE C-86
EXPORTS from CARIBBEAN ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	496	616	730	1050	3036	3521	4627	4762	2654	3491
EXPORT SHARES (%):	51.92	52.36	55.24	62.86	70.63	68.07	78.43	75.86	61.30	61.06
EXPORT GROWTH (%):	30.6	24.2	18.6	43.8	189.0	16.0	31.4	2.9	-44.3	31.5
EXPORT RANKS:	1	2	3	6	8	7	10	9	5	4

EXPORT STATISTICS: Rank 70-74= 20 Rank 75-79= 35

EXPORT shares from CARIBBEAN ACP to UNITED STATES
DID increase during Lome I at a 7.5 % significance level

TABLE C-87
EXPORTS from OIL CARIBBEAN ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	307	457	558	880	2675	3191	4338	4438	2329	3067
EXPORT SHARES (%):	53.99	57.91	62.16	71.72	76.81	74.50	83.33	81.63	67.78	64.21
EXPORT GROWTH (%):	11.3	48.7	22.2	57.6	203.9	19.3	35.9	2.3	-47.5	31.7
EXPORT RANKS:	1	2	3	6	8	7	10	9	5	4

EXPORT STATISTICS: Rank 70-74= 20 Rank 75-79= 35

EXPORT shares from OIL CARIBBEAN ACP to UNITED STATES
DID increase during Lome I at a 7.5 % significance level

TABLE C-88
EXPORTS from PREV. NON-ASSOCIATED ACP countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	127	122	123	157	192	170	258	251	309	338
EXPORT SHARES (%):	17.92	15.49	14.18	14.52	16.54	13.63	16.84	14.45	13.42	12.00
EXPORT GROWTH (%):	7.2	-4.0	1.4	27.4	21.8	-11.3	51.7	-2.6	23.0	9.4
EXPORT RANKS:	10	7	4	6	8	3	9	5	2	1

EXPORT STATISTICS: Rank 70-74= 35 Rank 75-79= 20

EXPORT shares from PREV. NON-ASSOCIATED ACP to UNITED STATES
DID NOT increase during Lome I at a 7.5 % significance level

TABLE C-89
EXPORTS from JAMAICA countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	180	153	166	161	339	299	263	294	291	369
EXPORT SHARES (%):	52.79	44.53	43.85	41.36	46.40	38.13	43.19	39.34	38.12	45.95
EXPORT GROWTH (%):	88.6	-14.7	8.5	-2.9	110.3	-11.9	-12.1	11.8	-0.8	26.7
EXPORT RANKS:	10	7	6	4	9	2	5	3	1	8

EXPORT STATISTICS: Rank 70-74= 36 Rank 75-79= 19

EXPORT shares from JAMAICA to UNITED STATES
DID NOT increase during Lome I at a 4.8 % significance level

TABLE C-90
EXPORTS from ZAIRE & ZAMBIA countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	15	50	46	28	36	68	351	256	299	378
EXPORT SHARES (%):	0.84	3.91	3.33	1.33	1.28	2.94	11.95	8.25	9.05	9.22
EXPORT GROWTH (%):	-40.7	240.4	-7.2	-38.4	26.1	89.1	417.9	-27.1	16.7	26.7
EXPORT RANKS:	1	6	5	3	2	4	10	7	8	9

EXPORT STATISTICS: Rank 70-74= 17 Rank 75-79= 38

EXPORT shares from ZAIRE & ZAMBIA to UNITED STATES
DID increase during Lome I at a 1.6 % significance level

TABLE C-91
EXPORTS from DCs exc. MAJOR OIL countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	8281	9215	11249	14982	23492	21847	28841	34172	38805	47539
EXPORT SHARES (%):	22.75	24.32	24.76	22.55	24.30	23.21	25.05	24.95	24.91	23.67
EXPORT GROWTH (%):	12.6	11.3	22.1	33.2	56.8	-7.0	32.0	18.5	13.6	22.5
EXPORT RANKS:	2	6	7	1	5	3	10	9	8	4

EXPORT STATISTICS: Rank 70-74= 21 Rank 75-79= 34

EXPORT shares from DCs exc. MAJOR OIL to UNITED STATES
DID increase during Lome I at a 11.1 % significance level

TABLE C-92
EXPORTS from MAJOR OIL DCs countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	1762	2334	2875	4917	13776	13781	19605	28021	28809	41378
EXPORT SHARES (%):	9.90	10.38	11.02	12.54	12.02	13.02	15.09	19.49	20.13	20.50
EXPORT GROWTH (%):	14.4	32.5	23.2	71.0	180.2	0.0	42.3	42.9	2.8	43.6
EXPORT RANKS:	1	2	3	5	4	6	7	8	9	10

EXPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

EXPORT shares from MAJOR OIL DCs to UNITED STATES
DID increase during Lome I at a .4 % significance level

TABLE C-93
EXPORTS from LATIN AMERICA countries to UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	4291	4469	5396	7085	12754	11592	13991	15969	16631	21400
EXPORT SHARES (%):	32.45	33.49	34.05	31.46	37.37	34.88	36.02	34.40	33.92	33.39
EXPORT GROWTH (%):	11.0	4.1	20.7	31.3	80.0	-9.1	20.7	14.1	4.1	28.7
EXPORT RANKS:	2	4	6	1	10	8	9	7	5	3

EXPORT STATISTICS: Rank 70-74= 23 Rank 75-79= 32

EXPORT shares from LATIN AMERICA to UNITED STATES
DID increase during Lome I at a 21 % significance level

TABLE C-94
IMPORTS to ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1379	1518	1460	1752	2587	3534	3546	4007	4363	4168
IMPORT SHARES (%):	15.80	14.58	13.44	13.13	12.31	13.05	12.11	11.14	10.34	9.36
IMPORT GROWTH (%):	18.2	10.0	-3.8	20.0	47.7	36.6	0.3	13.0	8.9	-4.5
IMPORT RANKS:	10	9	8	7	5	6	4	3	2	1

IMPORT STATISTICS: Rank 70-74= 39 Rank 75-79= 16

IMPORT shares to ACP from UNITED STATES
DID NOT increase during Lome I at a .8 % significance level

TABLE C-95
IMPORTS to NON-OIL ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	942	1013	1002	1225	1785	2340	2014	2148	2265	2512
IMPORT SHARES (%):	14.15	13.40	12.73	12.71	12.71	14.40	13.16	11.58	9.66	9.33
IMPORT GROWTH (%):	18.2	7.6	-1.1	22.3	45.6	31.1	-13.9	6.7	5.4	10.9
IMPORT RANKS:	9	8	6	4	5	10	7	3	2	1

IMPORT STATISTICS: Rank 70-74= 32 Rank 75-79= 23

IMPORT shares to NON-OIL ACP from UNITED STATES
DID NOT increase during Lome I at a 21 % significance level

TABLE C-96
IMPORTS to YAOUNDE ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	171	214	182	261	347	499	414	551	572	642
IMPORT SHARES (%):	7.79	8.58	6.65	7.25	7.29	8.14	6.81	6.91	6.12	5.65
IMPORT GROWTH (%):	1.7	25.2	-15.0	43.9	32.7	44.0	-17.2	33.2	3.8	12.4
IMPORT RANKS:	8	10	3	6	7	9	4	5	2	1

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to YAOUNDE ACP from UNITED STATES
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-97
IMPORTS to NON-OIL YAOUNDE ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	158	198	161	239	316	473	376	506	454	591
IMPORT SHARES (%):	7.69	8.52	6.47	7.20	7.35	8.60	6.97	7.28	5.33	5.67
IMPORT GROWTH (%):	2.8	25.0	-18.3	48.3	32.1	49.6	-20.5	34.6	-10.3	30.3
IMPORT RANKS:	8	9	3	5	7	10	4	6	1	2

IMPORT STATISTICS: Rank 70-74= 32 Rank 75-79= 23

IMPORT shares to NON-OIL YAOUNDE ACP from UNITED STATES
DID NOT increase during Lome I at a 21 % significance level

TABLE C-98
IMPORTS to COMMONWEALTH ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	1089	1167	1129	1317	1981	2703	2752	3084	3306	3021
IMPORT SHARES (%):	19.27	16.87	15.99	15.53	13.72	14.51	13.19	12.18	11.69	10.79
IMPORT GROWTH (%):	23.3	7.2	-3.3	16.7	50.4	36.4	1.8	12.1	7.2	-8.6
IMPORT RANKS:	10	9	8	7	5	6	4	3	2	1

IMPORT STATISTICS: Rank 70-74= 39 Rank 75-79= 16

IMPORT shares to COMMONWEALTH ACP from UNITED STATES
DID NOT increase during Lome I at a .8 % significance level

TABLE C-99
IMPORTS to NON-OIL COMMONWEALTH ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	664	679	691	813	1209	1535	1258	1270	1326	1416
IMPORT SHARES (%):	17.89	16.02	16.07	16.05	15.28	18.22	16.65	14.23	12.83	12.50
IMPORT GROWTH (%):	25.8	2.2	1.9	17.7	48.7	26.9	-18.1	1.0	4.4	6.8
IMPORT RANKS:	9	5	7	6	4	10	8	3	2	1

IMPORT STATISTICS: Rank 70-74= 31 Rank 75-79= 24

IMPORT shares to NON-OIL COMMONWEALTH ACP from UNITED STATES
DID NOT increase during Lome I at a 27.4 % significance level

TABLE C-100
IMPORTS to CARIBBEAN ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	526	523	540	607	806	969	998	974	1134	1369
IMPORT SHARES (%):	34.09	28.11	26.84	25.42	16.47	17.59	15.93	14.95	16.81	16.31
IMPORT GROWTH (%):	9.9	-0.7	3.4	12.3	32.9	20.2	3.0	-2.4	16.4	20.7
IMPORT RANKS:	10	9	8	7	4	6	2	1	5	3

IMPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

IMPORT shares to CARIBBEAN ACP from UNITED STATES
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-101
IMPORTS to OIL CARIBBEAN ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	272	276	281	313	434	505	599	586	717	910
IMPORT SHARES (%):	30.82	23.62	22.50	20.16	11.55	12.11	11.76	10.88	12.89	13.09
IMPORT GROWTH (%):	-0.8	1.8	1.8	11.3	38.5	16.4	18.6	-2.2	22.4	26.9
IMPORT RANKS:	10	9	8	7	2	4	3	1	5	6

IMPORT STATISTICS: Rank 70-74= 36 Rank 75-79= 19

IMPORT shares to OIL CARIBBEAN ACP from UNITED STATES
DID NOT increase during Lome I at a 4.8 % significance level

TABLE C-102
IMPORTS to PREV. NON-ASSOCIATED ACP countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	77	94	100	118	177	242	274	245	354	371
IMPORT SHARES (%):	10.81	11.34	11.60	11.61	12.11	12.49	14.13	11.46	8.95	8.21
IMPORT GROWTH (%):	6.8	21.0	7.2	17.2	50.3	36.6	13.4	-10.7	44.7	4.9
IMPORT RANKS:	3	4	6	7	8	9	10	5	2	1

IMPORT STATISTICS: Rank 70-74= 28 Rank 75-79= 27

IMPORT shares to PREV. NON-ASSOCIATED ACP from UNITED STATES
DID NOT increase during Lome I at a 50 % significance level

TABLE C-103
IMPORTS to JAMAICA countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	226	222	232	258	333	423	343	317	326	321
IMPORT SHARES (%):	43.15	39.91	37.31	38.90	35.54	37.60	36.78	36.82	37.49	31.48
IMPORT GROWTH (%):	22.0	-1.9	4.4	11.5	28.8	27.0	-18.8	-7.5	2.8	-1.5
IMPORT RANKS:	10	9	5	8	2	7	3	4	6	1

IMPORT STATISTICS: Rank 70-74= 34 Rank 75-79= 21

IMPORT shares to JAMAICA from UNITED STATES
DID NOT increase during Lome I at a 11.1 % significance level

TABLE C-104
IMPORTS to ZAIRE & ZAMBIA countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	103	153	90	98	144	322	180	198	139	192
IMPORT SHARES (%):	9.74	12.20	7.53	6.81	7.46	13.42	9.63	10.01	7.16	8.22
IMPORT GROWTH (%):	8.4	48.6	-41.2	8.8	46.5	124.5	-44.0	9.9	-30.2	38.9
IMPORT RANKS:	7	9	4	1	3	10	6	8	2	5

IMPORT STATISTICS: Rank 70-74= 24 Rank 75-79= 31

IMPORT shares to ZAIRE & ZAMBIA from UNITED STATES
DID increase during Lome I at a 27.4 % significance level

TABLE C-105
IMPORTS to DCs exc. MAJOR OIL countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	10425	10828	11428	16088	25313	27984	26823	28247	34243	47602
IMPORT SHARES (%):	22.62	20.87	20.11	20.46	19.56	20.48	18.82	17.12	16.97	18.19
IMPORT GROWTH (%):	16.7	3.9	5.5	40.8	57.3	10.6	-4.1	5.3	21.2	39.0
IMPORT RANKS:	10	9	6	7	5	8	4	2	1	3

IMPORT STATISTICS: Rank 70-74= 37 Rank 75-79= 18

IMPORT shares to DCs exc. MAJOR OIL from UNITED STATES
DID NOT increase during Lome I at a 2.8 % significance level

TABLE C-106
IMPORTS to MAJOR OIL DCs countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	2083	2317	2684	3429	5711	9367	10967	14372	17257	16131
IMPORT SHARES (%):	21.24	20.19	18.98	17.15	17.59	18.24	17.28	16.82	17.17	15.54
IMPORT GROWTH (%):	15.7	11.2	15.8	27.8	66.6	64.0	17.1	31.0	20.1	-6.5
IMPORT RANKS:	10	9	8	3	6	7	5	2	4	1

IMPORT STATISTICS: Rank 70-74= 36 Rank 75-79= 19

IMPORT shares to MAJOR OIL DCs from UNITED STATES
DID NOT increase during Lome I at a 4.8 % significance level

TABLE C-107
IMPORTS to LATIN AMERICA countries from UNITED STATES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
IMPORT SIZES (M$):	5654	5645	6093	7956	12754	13914	13289	13326	16236	22657
IMPORT SHARES (%):	35.89	31.93	30.85	30.19	26.64	28.20	26.18	24.81	26.46	27.19
IMPORT GROWTH (%):	18.3	-0.2	7.9	30.6	60.3	9.1	-4.5	0.3	21.8	39.5
IMPORT RANKS:	10	9	8	7	4	6	2	1	3	5

IMPORT STATISTICS: Rank 70-74= 38 Rank 75-79= 17

IMPORT shares to LATIN AMERICA from UNITED STATES
DID NOT increase during Lome I at a 1.6 % significance level

TABLE C-108
EXPORTS from SUGAR 50 countries to EEC9: ALL 9 COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EXPORT SIZES (M$):	179	192	250	269	407	727	566	633	710	787
EXPORT SHARES (%):	26.74	27.78	32.63	32.69	25.77	41.86	39.74	39.63	41.25	40.46
EXPORT GROWTH (%):	13.1	7.1	30.4	7.5	51.3	78.7	-22.2	11.8	12.2	10.8
EXPORT RANKS:	2	3	4	5	1	10	7	6	9	8

EXPORT STATISTICS: Rank 70-74= 15 Rank 75-79= 40

EXPORT shares from SUGAR 50 to EEC9: ALL 9 COUNTRIES
DID increase during Lome I at a .4 % significance level

APPENDIX D

OVERSEAS DEVELOPMENT ASSISTANCE TABLES

Table D-1

EDF-EIB AID TO ACP COUNTRIES, AS OF THE END OF 1979

	Aid (M. EUA)	Share of Tot. Aid (%)	Population 76-78 avg. (Millions)	Per capita aid (EUA p.c.)
Bahamas	1.40	0.06	0.22	6.36
Barbados	6.70	0.27	0.26	25.77
Benin	51.30	2.04	3.29	15.59
Botswana	22.20	0.88	0.71	31.27
Burundi	44.10	1.76	4.14	10.65
Cameroon	88.30	3.51	7.89	11.19
Cape Verde	4.50	0.18	0.31	14.52
Central Afr. Rep.	34.40	1.37	1.87	18.40
Chad	52.90	2.11	4.21	12.57
Comoros	10.90	0.43	0.32	34.06
Congo	33.30	1.33	1.43	23.29
Djibouti	4.60	0.18	0.11	41.82
Dominica	5.60	0.22	0.08	70.00
Equatorial Guinea	0.70	0.03	0.34	2.06
Ethiopia	97.60	3.88	28.96	3.37
Fiji	28.80	1.15	0.60	48.00
Gabon	15.90	0.63	0.53	30.00
Gambia	15.70	0.62	0.55	28.55
Ghana	61.00	2.43	10.64	5.73
Granada	2.00	0.08	0.10	20.00
Guinea	58.40	2.32	4.64	12.59
Guinea Bissau	26.20	1.04	0.54	48.52
Guyana	16.50	0.66	0.81	20.37
Ivory Coast	88.00	3.50	7.27	12.10
Jamaica	19.50	0.78	2.10	9.29
Kenya	125.50	5.00	14.35	8.75
Kiribati	2.50	0.10	0.06	41.67
Lesotho	19.80	0.79	1.25	15.84
Liberia	38.40	1.53	1.68	22.86
Madagascar	46.80	1.86	8.08	5.79
Malawi	75.00	2.99	5.46	13.74
Mali	81.80	3.26	6.12	13.37
Mauritania	87.20	3.47	1.50	58.13
Mauritius	18.30	0.73	0.88	20.80
Niger	96.80	3.85	4.86	19.92
Nigeria	32.40	1.29	69.97	0.46
Papua New Guinea	11.70	0.47	2.91	4.02
Rwanda	68.20	2.71	4.39	15.54
St. Lu. & S. Vinc. &	2.30	0.09	0.11	20.91
Sao Tome & Principe	2.00	0.08	0.08	25.00
Senegal	122.70	4.88	5.25	23.37
Seychelles	2.60	0.10	0.06	43.33

Sierra Leone	30.90	1.23	3.17	9.75
Solomon Islands	3.60	0.14	0.21	17.14
Somalia	40.00	1.59	3.35	11.94
Sudan	83.20	3.31	16.82	4.95
Surinam	7.60	0.30	0.37	20.54
Swaziland	33.00	1.31	0.52	63.46
Tanzania	108.20	4.31	16.08	6.73
Togo	41.80	1.66	2.35	17.79
Tonga	4.30	0.17	0.09	47.78
Trinidad & Tobago	12.90	0.51	1.12	11.52
Tuvalu	2.70	0.11	0.01	450.00
Uganda	38.00	1.51	12.36	3.07
Upper Volta	50.50	2.01	6.39	7.90
Western Samoa	7.40	0.29	0.15	49.33
Zaire	110.10	4.38	26.54	4.15
Zambia	61.40	2.44	5.30	11.58
Total Blocked Approp.	12.0	0.48	-	-
Non-alloc. projects	24.3	1.01	-	-
Regional projects	216.1	8.60	-	-
Total Aid given	2,512.5	-	-	-

Sources: EUROSTAT, ACP Statistical Yearbook, 1975-1977 and 1972-1978; Commission of The European Communities, Commission Report to the ACP-EEC Council of Ministers on the Administration of Financial and Technical Cooperation Under the Lome Convention, 1976, 1977, 1978, 1979.

Table D-2

MULTILATERAL VS. EDF AID FOR ACP COUNTRIES (1970-1978)

	1970-1972			1973-1975			1976-1978		
	MULTI (M$)	EDF (M$)	Share (%)	MULTI (M$)	EDF (M$)	Share (%)	MULTI (M$)	EDF (M$)	Share (%)
Bahamas	0.16	-	0.00	0.50	-	0.00	0.69	0.09	13.04
Barbados	0.35	-	0.00	1.32	-	0.00	3.28	0.13	3.96
Benin	7.73	4.20	54.33	16.86	8.80	52.19	23.02	9.80	42.57
Botswana	3.77	0.30	7.96	6.58	-	0.00	9.98	1.03	10.32
Burundi	7.85	4.40	56.05	15.72	10.00	63.61	23.13	7.60	32.86
Cameroon	22.52	15.70	69.72	24.68	10.50	42.54	45.62	14.00	30.69
Cape Verde	-	-	0.00	2.19	-	0.00	7.46	-	0.00
Central A.	7.92	3.80	47.98	16.56	11.70	70.65	14.70	6.13	41.70
Chad	7.41	5.30	71.53	24.04	15.90	66.14	32.29	12.53	38.80
Comoros	-	-	0.00	-	-	0.00	-	-	0.00
Congo	8.11	4.20	51.79	15.06	7.50	49.80	19.23	10.46	54.39
Djibouti	0.54	0.50	92.59	0.37	1.10	297.30	1.44	0.53	36.81
Dominica	-	-	0.00	-	-	0.00	-	-	0.00
Eq. Guinea	-	-	0.00	0.78	-	0.00	0.61	-	0.00
Ethiopia	8.98	-	0.00	34.51	7.60	22.02	67.14	10.46	15.58
Fiji	0.75	-	0.00	1.11	0.10	9.01	2.76	0.93	33.70
Gabon	7.89	6.60	83.65	7.57	5.90	77.94	4.39	1.93	43.96
Gambia	1.08	-	0.00	4.14	0.60	14.49	7.18	1.27	17.69
Ghana	7.99	0.10	1.25	10.82	-	0.00	33.70	7.36	21.84
Granada	-	-	0.00	0.53	-	0.00	1.41	-	0.00
Guinea	3.35	0.20	5.97	2.84	-	0.00	19.18	2.63	13.71
Guinea B.	0.07	-	0.00	2.78	-	0.00	9.19	-	0.00
Guyana	0.98	-	0.00	3.04	-	0.00	4.75	0.33	6.95
Ivory C.	13.10	8.70	66.41	22.46	15.90	70.79	36.41	19.00	52.18
Jamaica	3.43	-	0.00	6.64	-	0.00	12.54	1.07	8.53
Kenya	10.52	0.02	0.19	19.61	2.70	13.77	40.36	7.13	17.67
Kiribati	0.13	-	0.00	0.13	-	0.00	0.72	-	0.00
Lesotho	4.33	0.40	9.24	8.99	0.20	2.22	16.40	1.46	8.90
Liberia	2.41	-	0.00	6.32	-	0.00	14.59	1.67	11.45
Madagascar	19.48	13.00	66.74	32.99	16.70	50.62	36.23	15.93	43.97
Malawi	9.76	-	0.00	11.87	0.10	0.84	28.11	4.70	16.72
Mali	13.62	7.20	52.86	46.32	29.70	64.12	42.39	12.16	28.69
Mauritania	5.95	2.40	40.34	18.30	12.10	66.12	30.45	16.26	53.40
Mauritius	2.70	0.20	7.41	8.93	2.00	22.40	13.92	1.83	13.15
Niger	13.51	8.40	62.18	41.90	31.70	75.66	44.47	27.83	62.58
Nigeria	16.32	0.70	4.29	16.45	-	0.00	20.18	1.43	7.09
Papua N.G.	3.52	-	0.00	5.65	-	0.00	15.78	0.53	3.36
Rwanda	5.76	3.30	57.29	18.18	10.10	55.56	31.15	13.93	44.72
St. Lu/V/G	-	-	0.00	-	-	0.00	-	-	0.00
Sao Tome	-	-	0.00	0.10	-	0.00	1.50	-	0.00
Senegal	19.47	12.90	66.26	37.02	22.40	60.51	52.45	25.40	48.43
Seychelles	0.03	-	0.00	0.14	-	0.00	0.42	-	0.00
Sierra L.	2.04	-	0.00	5.80	-	0.00	18.16	2.40	13.22
Solomon I.	0.26	-	0.00	0.46	-	0.00	1.41	-	0.00
Somalia	10.34	4.70	45.45	30.11	15.00	49.82	43.71	14.60	33.40
Sudan	15.32	2.10	13.71	32.35	3.20	9.89	75.26	5.40	7.18

Surinam	3.46	2.80	80.92	5.41	4.20	77.63	2.84	1.27	44.72
Swaziland	1.68	0.30	17.86	4.28	0.10	2.34	7.72	3.13	40.54
Tanzania	11.26	-	0.00	26.10	5.00	19.16	71.53	12.07	16.87
Togo	9.11	5.30	58.18	12.97	8.50	65.54	25.88	11.10	42.89
Tonga	0.07	-	0.00	0.26	-	0.00	1.47	-	0.00
Tri. & To.	2.25	-	0.00	2.89	-	0.00	3.65	0.40	10.96
Tuvalu	-	-	0.00	0.02	-	0.00	0.13	-	0.00
Uganda	9.43	-	0.00	6.29	-	0.00	10.10	2.40	23.76
Upper V.	11.05	8.40	76.02	31.88	22.40	70.26	39.98	15.30	38.27
Western S.	1.58	-	0.00	2.46	-	0.00	6.87	-	0.00
Zaire	25.35	16.30	64.30	31.16	14.70	47.18	81.07	23.47	28.95
Zambia	4.41	0.10	2.27	5.31	-	0.00	13.03	6.63	50.88

Notes: MULTI: Total mean multilateral aid, in million $;
EDF: Total mean EDF aid, in million $;
Share: EDF aid as a percentage of multilateral aid.

Sources: EUROSTAT, ACP Statistical Yearbook, 1975-1977 and 1972-1978.

Table D-3

BILATERAL AID TO ACP COUNTRIES (1970-1978)

	1970-1972				1973-1975				1976-1978			
	TOT (M$)	EEC (%)	US (%)	ODAC (%)	TOT (M$)	EEC (%)	US (%)	ODAC (%)	TOT (M$)	EEC (%)	US (%)	ODAC (%)
Bahamas	0.4	98.2	0.0	1.8	0.1	100	0.0	0.0	0.1	91.1	0.0	8.9
Barbados	3.6	71.6	0.0	28.4	3.3	38.5	10.0	51.5	4.8	9.7	23.3	67.0
Benin	13.7	80.4	4.9	14.7	20.4	74.1	8.2	17.7	29.3	58.8	19.8	21.4
Botswana	17.4	51.4	15.4	33.2	33.1	31.5	16.1	52.4	44.5	39.0	14.2	46.8
Burundi	14.0	93.9	2.4	3.7	20.1	95.5	1.7	2.8	31.1	92.8	5.1	2.1
Cameroon	34.4	71.8	14.6	13.6	51.5	80.6	5.8	13.6	109.9	72.6	4.2	23.2
Cape Verde	0.0	0.0	0.0	0.0	0.7	75.2	0.0	24.8	16.3	33.7	28.8	37.5
Central Afr.	10.6	91.9	6.3	1.8	22.3	98.0	0.0	2.0	28.5	99.1	0.0	0.9
Chad	20.5	94.6	3.2	2.2	30.8	81.5	11.9	6.6	55.0	75.6	15.4	8.9
Comoros	-	-	-	-	-	-	-	-	-	-	-	-
Congo	10.9	98.7	0.0	1.3	25.3	87.0	0.0	13.0	42.5	90.4	0.0	9.6
Djibouti	11.4	100	0.0	0.0	27.3	100	0.0	0.0	30.0	98.8	1.1	0.1
Dominica	-	-	-	-	-	-	-	-	-	-	-	-
Eq. Guinea	-	-	-	-	0.0	100	0.0	0.0	-	-	-	-
Ethiopia	36.0	31.8	46.3	21.9	67.5	36.6	35.1	28.3	62.6	38.8	25.9	35.3
Fiji	8.0	76.3	8.4	15.3	15.2	51.8	6.6	41.6	21.4	43.4	4.7	51.9
Gabon	16.9	98.2	0.0	1.8	25.5	96.9	0.0	3.1	30.8	83.6	0.0	16.4
Gambia	2.2	67.4	30.3	2.3	3.6	79.8	18.8	1.4	11.7	71.8	9.3	18.9
Ghana	50.3	41.9	39.8	18.3	55.5	64.0	10.2	25.8	47.7	33.5	25.4	41.1
Granada	0.0	0.0	0.0	0.0	1.0	58.2	0.0	41.8	1.4	34.8	0.0	65.2
Guinea	4.9	29.8	68.1	2.1	7.0	13.1	76.3	10.6	6.5	-	-	-
Guinea Biss.	0.0	0.0	0.0	100	2.7	17.0	0.0	83.0	26.1	30.9	9.3	59.8
Guyana	14.3	33.4	46.6	20.0	7.2	13.2	41.9	44.9	13.1	-	-	-
Ivory Coast	37.7	83.5	7.1	9.5	57.6	89.9	1.7	8.3	78.8	-	-	17.7
Jamaica	13.3	36.9	37.6	25.5	16.9	30.9	47.4	21.7	45.9	43.8	38.5	17.7
Kenya	55.3	65.8	12.7	21.5	93.9	54.5	7.8	37.7	148.1	55.4	8.4	36.2
Kiribati	-	-	-	-	-	-	-	-	-	-	-	-
Lesotho	9.3	56.1	39.6	4.3	11.8	69.1	19.7	11.2	22.6	43.5	19.6	36.9
Liberia	10.6	4.3	94.6	1.1	8.3	19.1	76.0	4.9	21.6	33.6	54.2	12.2
Madagascar	30.6	91.0	4.4	4.6	32.2	78.5	2.1	19.4	33.8	67.8	4.8	27.4
Malawi	25.2	84.9	13.2	1.9	33.2	74.3	8.0	17.7	52.8	64.1	8.9	27.0
Mali	16.4	80.5	16.3	3.2	50.3	68.1	22.5	9.4	70.0	76.6	11.6	11.8
Mauritania	3.4	75.5	18.3	6.2	18.1	58.1	27.7	14.2	62.8	49.8	8.0	42.2
Mauritius	6.0	67.8	27.9	4.3	12.9	76.5	13.0	10.5	13.8	93.8	0.0	6.2
Niger	24.1	70.0	6.9	23.1	68.3	59.3	19.5	21.2	72.4	65.8	11.4	22.8
Nigeria	83.2	34.7	45.3	20.0	61.4	50.6	13.0	36.4	30.6	33.0	2.9	64.1
Papua N. G.	158.5	0.0	0.0	100	249.3	0.2	0.0	99.8	250.0	-	-	-
Rwanda	20.0	82.5	5.0	12.5	37.2	82.7	3.6	13.7	65.7	77.5	4.1	18.4
St. L/V/G	-	-	-	-	-	-	-	-	-	-	-	-
Sao T. & P.	0.0	0.0	0.0	0.0	0.0	100	0.0	0.0	1.4	86.9	0.0	13.1
Senegal	28.6	75.9	9.3	14.8	64.1	80.5	8.8	10.7	100.5	76.2	10.1	13.7
Seychelles	6.8	100	0.0	0.0	7.9	99.8	0.0	0.2	11.0	96.6	0.0	3.4
Sierra Leone	7.2	51.7	46.3	2.0	7.3	54.1	41.3	4.6	11.1	63.1	34.0	2.9
Solomon Isl.	9.0	98.7	0.0	1.3	14.9	94.2	0.0	5.8	19.7	-	-	-
Somalia	-	-	-	-	-	-	-	-	-	-	-	-
Sudan	2.8	-	-	-	36.7	76.7	13.6	9.7	138.8	-	-	-

Surinam	25.8	100	0.0	0.0	38.2	100	0.0	0.0	83.7	99.5	0.0	0.5
Swaziland	4.1	55.4	32.7	11.9	10.4	70.3	9.7	20.0	22.1	73.3	6.1	20.6
Tanzania	47.0	36.6	18.4	45.0	155.2	31.2	11.2	57.6	267.2	44.2	10.7	45.1
Togo	10.2	69.0	13.1	17.9	21.2	-	-	-	40.0	83.5	5.8	10.7
Tonga	1.0	77.9	0.0	22.1	2.4	23.4	14.1	62.5	5.5	19.9	0.0	80.1
Trin. & Tob.	3.3	57.1	0.0	42.9	2.2	45.7	0.0	54.3	1.3	53.7	0.0	46.3
Tuvalu	-	-	-	-	-	-	-	-	-	-	-	-
Uganda	22.0	61.9	19.7	18.4	6.8	61.6	14.7	23.7	11.0	65.9	0.0	35.1
Upper Volta	17.4	77.8	19.2	3.0	46.0	80.6	13.0	6.4	76.4	74.0	17.8	8.2
West. Samoa	0.7	11.2	0.0	88.8	5.1	5.5	13.1	81.4	9.9	9.3	10.5	80.2
Zaire	81.5	84.8	13.1	2.1	139.5	91.5	3.8	4.7	174.5	84.4	11.9	4.0
Zambia	14.7	74.0	2.3	23.7	53.4	50.6	0.6	48.8	105.2	35.5	15.7	48.8

Notes: TOT: Sum of aids from EEC, U.S. and other DAC's, averaged over three-year periods.
EEC: Sum of bilateral contributions of individual EEC countries, as a percentage of "TOT."
US: Bilateral contribution by U.S., as a percentage of "TOT"
ODAC: Sum of bilateral contributions by Canada, Japan and other DAC's, as a percentage of "TOT."

Sources: EUROSTAT, ACP Statistical Yearbook, 1975-1977 and 1972-1978.

APPENDIX E

EXPORT EARNINGS PROTECTION SCHEMES

Export earnings instability is a problem common to many of the ACP countries. It is generally accepted that volatility in export earnings levels hampers importing capacity and adversely affects long-term planning abilities of developing countries. Primary product producers are often plagued by compounding difficulties: fluctuating terms of trade, inelastic supply and demand circumstances, product substitution, and intense competition, to name a few.

In order to mitigate the adverse effects of these various forces which contribute to foreign exchange insecurity, three approaches have been followed: 1) export diversification; 2) stabilization of commodity markets and prices through international commodity agreements; 3) compensatory financing schemes to provide assistance to countries experiencing export earnings shortfalls.

Naturally, the most desirable solution would be for countries to diversify their commodity exports and to progressively increase their export of manufactures. However, export diversification and movement into greater value added exports (and export substitution) are long-term processes. Further, the export markets must be available and accessible, a problem discussed in other parts of this study.

Schemes to regulate or to control international trade in primary products have a considerable history. In 1863, European sugar producers began holding conferences to regulate trade in sugar. In the 120 years since, numerous attempts were made and actual agreements were formed to influence the international markets for not only sugar, but also for tin, coffee, cocoa and rubber.

The most recent push in this area came from the Fourth Session of the United Nations Conference on Trade and Development (UNCTAD) meeting in Nairobi in 1976, when the Integrated Program for Commodities (IPC) was adopted. The IPC called for international commodity agreements (ICA) covering the traditionally most volatile internationally traded commodities[1] and a common fund providing funds for ICA financing when necessary and a substantial aid fund. Agreement on the establishment of the Common Fund was finally reached on June 27th, 1980 after five years of negotiations. However, the monies available to the Fund are quite limited ($5.6 million has been pledged so far).

Presently ICAs are operational in rubber, sugar, coffee, cocoa and tin. However, these agreements have had rather limited success in moderating commodity market price fluctuations for numerous reasons, the most important of which are the structures of the ICAs themselves and the limited resources available to them.

There is little doubt about the ability of well-financed buffer stocks programs to stabilize commodity prices. The long-term success of various domestic programs such as the U.S. farm program and the CAP are testimonial to this.

The main question is the size of the necessary financial resources. It is difficult for buffer stocks to stabilize prices without the availability of substantial financial resources (such as tax revenues) which are in turn used to stockpile the commodities. Needless to say, the volume of financial resources necessary are not readily forthcoming from the industrial countries and are non-existent in the developing ones.

In contrast to ICA's which attempt to stabilize the international commodity markets, compensatory financing schemes focus on short term, immediate relief for primary exporting countries when their export earnings fall. In addition to STABEX previously discussed, two other schemes exist: the International Monetary Fund's Compensatory Financing Facility (CFF) and the Arab Monetary Fund (AMF), intending to complement the IMF's facility. The Arab Fund was established in 1978 but no drawings have been made to date.

Although the IMF'S Compensatory Financing Facility (CFF) was established in 1963, only 57 drawings, totalling SDR 1.[illegible] billion, were made during the first 13 years. The facility was liberalized in 1975 and again in 1979. The CFF is becoming increasingly important as a channel for providing payments assistance to the Fund's members. For example, between 1976 and 1979 drawings on the CFF represented nearly 35% of the total credit extended by the IMF.[2]

All members of the IMF are nominally eligible to draw under the IMF scheme. Normally, it is expected that only developing countries

will make use of the scheme; however, some developed countries have drawn in the past and could still do so. Ideally, the IMF's scheme

> "should enable a member to borrow when its export earnings and financial reserves are low and to make repayment when they are high so that its import capacity is unaffected by fluctuations in export earnings caused by external events."[3]

Accordingly, the IMF scheme covers the aggregate category of "total merchandise export trade," thus excluding trade in services.

IMF assistance extended under the compensatory financing facility is additional to other forms of Fund assistance: drawings under the facility do not affect the amounts that a member can draw under its reserve tranche or its credit tranches, or under other special Fund facilities. Under the compensatory financing facility, a member may draw up to 100% of its Fund quota. Charges on drawings are the same as for credit tranche drawings, which, since April 1, 1977, have been 4.375% for the first year, rising to 6.375% in the fifth and last year following a drawing. Repurchases are normally made within three to five years of drawings. All calculations relating to the use of the compensatory financing facility are made in SDR at current prices.

The total quota for the non-OPEC Third World is something over one billion SDR, which would represent the maximum potential drawing in any given 12-month period. However, the eligibility requirements would naturally limit the number of countries actually able to draw above the full amount of their quota.

In order to draw on the CFF a member's export shortfall is calculated for a 12-month period referred to as the "shortfall year." The shortfall must relate to the most recent 12 month period for which data are available and the drawing should be made within the 6 months following the end of this period.

The amount of the shortfall is measured by the discrepancy between the value of export earnings in the shortfall year and the medium-term trend value of export earnings in that year; the latter is defined as the five-year geometric average centered on the shortfall year. To obtain this, the calculation of the shortfall requires a forecast of export earnings during the 24-month period following the end of the shortfall year. For CFF purposes, a shortfall occurs when the growth rate of export earnings falls in the shortfall year, while an excess occurs when that rate rises. The existence of a shortfall does not require an absolute decline in nominal export earnings but only a decline in their growth.

The IMF's scheme scrutinizes a member's eligibility to CFF credit with several provisos.[4] A member can draw on the CFF only if it has

> "a balance of payments need" [and] "provided that the IMF is satisfied that the shortfall is a short-term one, largely attributable to circumstances beyond the control of the member, and that the member will cooperate with the IMF in an effort to find appropriate solutions for any balance of payments difficulties."[5]

If the shortfall results essentially from circumstances beyond the member's control, a solution to its balance of payments difficulties

might not require changes in its economic and financial policies. In such instances, the member could draw under the compensatory financing facility without having to present a financial program that the Fund could support with the use of its resources. For example, a country could be affected by a decline in world prices for its principal export commodity or by natural causes such as droughts or floods. In such cases, the member could draw under the facility without having to negotiate a financial program.

However, shortfalls in export earnings could result from such causes as inappropriate exchange rate or price policies, or from excessive domestic demand in an overheated economy. In these instances, a solution to a member's balance of payments problems would normally require policy changes, and the member would be expected to formulate a financial program that could be supported by credit tranche drawings, with the conditionality attached to such drawings.

When a shortfall results mainly from a decline in the volume of exports, it is not always easy to determine whether it is due mainly to circumstances beyond a member's control or to inappropriate policies which need to be corrected. The member is generally given the benefit of the doubt in borderline cases, especially if it has been cooperating with the Fund to find appropriate solutions to its difficulties.

<u>Main Differences Between STABEX and the CFF</u>

Both schemes set out to deal with the problem of primary product export earning fluctuations, but they differ in a number of areas which

are summarized below.

1. The 61 ACP countries are covered under the STABEX scheme, which compensates for shortfalls from earnings derived from the exports of specified commodities to the European Community. The Fund facility is open to a wider group of countries and covers earnings from all merchandise exports to all destinations.

2. STABEX focuses on a specific commodity in the balance of trade, while the IMF deals with the overall balance of payments. The amount transferred to a country under STABEX is the sum of the shortfalls calculated for each of the commodities covered in the scheme, while the amount drawn under the Fund facility cannot exceed the net shortfall in earnings from all merchandise exports. This difference derives from the dissimilarity of purposes. STABEX aims mainly at bringing relief to the sector where the shortfall occurred, while the Fund facility provides assistance to members with an overall balance of payments deficit arising from the export shortfall.

3. STABEX transfers are not subject to any balance of payments test, but to approval from the EEC. In contrast, a member can draw under the Fund facility only if it has a balance of payments need and if it cooperates with the Fund to find solutions to its balance of payments difficulties.

4. STABEX and the CFF use different calculation techniques to arrive at the shortfall. STABEX shortfalls can relate only to calendar years, while the IMF facility's shortfalls can relate to any period of 12

consecutive months. The amount of the shortfall is defined in both schemes as the downward deviation from the trend value calculated in nominal terms, but this value is calculated as the average for STABEX, while it is calculated as the five-year average centered on the shortfall year for the purpose of the Fund facility. The calculation of the Fund facility shortfall requires a forecast of export earnings two years ahead, thus eliminating the effects of inflation on the amount of the calculated shortfall if the rate of inflation remained constant. Meanwhile, the calculation of the STABEX shortfall does not require any forecast, but the amount calculated in nominal terms will always be lower than the one calculated in real terms if the rate of inflation is positive.

5. STABEX financial assistance terms are easier than those of the Fund facility. For STABEX, transfers are in the form of grants to those 43 of the 61 ACP states that are classified as least-developed countries, and in the form of interest-free loans to the remaining 18 states in this group. Under the Fund facility, charges on purchases are the same as the rates for credit tranche purchases, and they are uniform for all members.

6. The nature of the financial resources of the two schemes is markedly different. The negotiated aid sums under Lome dictate the STABEX amounts. Under STABEX, there is a limit on the amount that can be transferred to all member countries over a five-year period, but there is no limit applicable to individual countries. STABEX reserves were raised from 400 million EUA under Lome I to 559 EUA for Lome II. Under the Fund facility, while no member can draw more than

100% of its quota, the total amount which can be drawn by all members is not subject to an overall limit.

7. STABEX transfers are subject to two types of threshold: First, under the liberalized Lome II rules, the commodity has to be of sufficient importance to the country applying for a transfer to account for at least 2% of the country's total export earnings in the least-developed, landlocked, and island countries, and 6.5% in other ACP countries. Second, the commodity shortfall must be sufficiently large; it must exceed 2% of the trend value in the least-developed, landlocked, and island countries, and 6.5% in other countries. In contrast, drawings under the Fund facility are not subject to any thresholds.

Operations of STABEX and CFF During Lome I

During the four and a quarter years ending March 1980, both schemes were operational. The CFF was in its partially liberalized 1975 form in which members could draw on 80% of their quota. Table E-1 summarizes the results of the two schemes.

Table E-1

STABEX TRANSFERS AND PURCHASES UNDER FUND FACILITY BY ACP COUNTRIES ELIGIBLE UNDER STABEX, JANUARY 1976 - MARCH 1980

Nature of Assistance	Countries having received assistance under: STABEX only	STABEX and Fund facility	Fund facility only	Total
	<———Number of countries———>			
STABEX	12	21	-	33
Grants	8	15	-	23
Loans	4	6	-	10
Fund facility	-	21	8	29
	<———Million SDR———>			
STABEX	79	226	-	305
Grants	66	140	-	206
Loans	13	86	-	99
Fund facility	-	364	268	632

Source: Goreux, L. M., "The Compensatory Financing Facility," IMF No. 34, 1980.

In the above two-part table the countries and the corresponding amounts exactly correspond in placement. For example, 12 countries received SDR 79 million of STABEX funds only and 21 countries received SDR 226 million of both. Eight ACP countries received SDR 268 million from the CFF but nothing from STABEX.

The many differences in the methods of shortfall evaluation account for this rather odd pattern. ACP countries can technically receive funds from both schemes. While the amounts transferred under STABEX could not be reduced on account of drawings under the IMF facility, a detraction could have been made from the shortfalls calculated for drawings under the CFF. While this possibility was considered, "the Fund's Executive Board decided that it would be sufficient to take into account the amounts of the STABEX transfers in

assessing the need for the member to draw under the Fund facility."[6]

Critical Analysis of the Two Schemes

In the preceding sections, the two operational compensatory schemes were discussed and the differences between them and the absolute amounts of their resources were reviewed. Some additional comments are in order of a more analytic nature.

While STABEX relates to earnings from exporting particular goods to particular countries, CFF relates to the country's balance of payments circumstance. Under STABEX, transfer amounts are based only on shortfall, while the amounts of CFF drawings are determined, besides by shortfalls, by the quotas of the members applying. To qualify for a CFF drawing, a country must have a balance of payments deficit and has to cooperate to some extent with the IMF in its balance of payments policy; both conditions are absent in the case of STABEX. For STABEX use, the normative trend value is calculated from data of the past only; estimates of CFF shortfalls involve the forecasting of future earnings. CFF drawings are loans whereas STABEX transfers are interest-free and, in some cases, need not be repaid. Potential beneficiaries are 52 ACP countries for STABEX, and 103 countries in the case of CFF (IMF members other than industrial and oil-exporting countries).

Under both schemes, in order for a country to receive funds it must be granted an OK from a bureaucratic structure dominated by industrial countries. The IMF functions essentially like a bank that makes decisions according to strict criteria while the STABEX scheme

requires approval from Brussels, a notoriously procrastinating bureaucracy. In neither of these cases do the developing countries have a significant say as they would have had in the Common Fund originally proposed in 1976. The developing countries would argue that they are forced to plead for assistance from the industrial countries, in matters which are of fundamental economic importance to them.

The total disbursements under CFF for the ACP countries were twice as large as those involved under STABEX for the same periods. Of course, the CFF system has the potential for generating significantly more available reserves than STABEX since it is based on each country's quota. However, it should be borne in mind that CFF drawings are financed by the IMF's own reserves, while STABEX transfers form part of the financial assistance (i.e., foreign aid) to which the nine EEC members have committed themselves under the Lome Conventions. Hence, a significant number of STABEX transfers are grants to the poorest countries. Whereas all of the CFF funds must be repaid.

In addition, the CFF should be evaluated considering its contribution to a more balanced international trade. The countries with a large international trade sector naturally find themselves in need of large amounts, in an absolute sense, to finance their balance of payments deficits. The IMF's quota system decisively influences the distribution of CFF drawings, since it determines how much a country can draw (100% of its quota). The size of each country's quota is partially determined by its involvement in international trade. Hence the IMF system has an inherent equitable characteristic in potentially making available funds in the necessary proportions.

The two schemes appear to have slightly differing goals. STABEX seems more oriented toward the development needs of individual participating countries. The "sickness insurance"-approach of STABEX focuses on the needs of ailing sectors and much of the financial assistance is in the form of grants. Meanwhile, the IMF's practice can perhaps be better explained in terms of striving for a balanced international trade by providing financing to primary exporters who experience a balance of payments deficit in relation to their participation in the international arena.

According to the Deputy Managing Director of the IMF, that organization

> "deals with all members on the same basis of substance in relation to balance of payments financing and adjustment [and therefore its purposes] preclude development financing, and limit use of its credit to temporary balance of payments need in support of internationally acceptable policies of payments adjustment."[7]

The IMF appears unwilling to waive repayment of drawings under the CFF scheme, no matter how destabilizing this may be to export earnings or to the country's present balance of payments. Furthermore, it will not substantially lenghten the repayment period, nor waive the criterion of balance of payments need. Moreover, often it is required that the borrower adopt economic policies palatable to the IMF, regardless of whether such policies are deemed desirable by the borrowing government.

One final flaw is common to both schemes: They deal only with the consequence of the inability to earn foreign exchange while neglecting

the causes. STABEX, in providing short-term assistance to countries with chronic problems, isn't helping them in the long run to diversify and become stronger economies. Similarly, the IMF focuses on balance of payments disequilibria, short-term solutions and quick payback. The changes in domestic policies often required for CFF assistance seldom go to the root of the export instability problem. Both schemes foster a kind of economic patchup which ignores the longer term and more fundamental problems.

REFERENCES

[1] The core commodities suggested for the Integrated Program for Commodities were: bauxite, cocoa, coffee, cotton, copper, jute, rubber, sisal, sugar, tea, and tin.

[2] Goreux, L. M., "The Compensatory Financing Facility," No. 34, (IMF 1980) and Author's estimates.

[3] IMF Survey, September 1, 1980, p. 270.

[4] Ibid, p. 279.

[5] IMF Exchange and Trade Relations Department, "How countries use resoures through tranches, facilities," IMF Survey, January 5, 1976, pp. 2-4. The quotation is from p. 3.

[6] Goreux, L. M., op. cit., p. 82.

[7] Speech to Society for International Development, quoted in IMF Survey, March 1, 1976, p. 65.

BIBLIOGRAPHY

BOOKS, PHAMPLETS AND MONOGRAPHS

Alibert, Jacques, De Lome I a Lome II, (Association pour l'Etude des Problems d'Outre Mer, 1978).

Balsam, Hugh, Lome Convention: Who Profits? Workshop on the EEC and the Third World, (Princeton University Press, December, 1976).

Billerbeck, K., The Negotiation on Association between the Commonwealth Caribbean and the European Community — Problems and Approaches for Solutions, (German Development Institute, Berlin, 1973).

Cheysson, Claude, L'Afrique et l'Europe, (Belgium, 1977).

Cuddy, J. D. A., International Price Indexation, (Lexington Books, Lexington, Massachusetts, 1976).

Dyamson, E., The Dynamics of Euro-African Cooperation, (Nijhoff, The Hague, 1976).

Edwards, L.A., Statistical Analysis, (Rhinehart and Company, New York, 1958).

Feld, W., The European Community and the World, (Prentice-Hall, New Jersey, 1967).

Feld, Werner and Boyd, Gavin, Comparative Regional Systems, (Pergamon, Oxford, 1979).

Focke, K., From Lome I towards Lome II, (ACP-EEC Consultative Assembly, Brussels, 1980)

Frey-Wouters, Ellen, The European Community and the Third World: The Lome Convention and Its Impact, (Praeger, New York, 1980).

Galtung, Johan, The European Community: A Superpower in the Making, (Oslo, 1973).

Galtung, Johan, The Lome Convention and Neo-Colonialism, (University of Oslo, Oslo, 1975).

Goreux, Louis, The Compensatory Financing Facility, (International Monetary Fund, Pamphlet No. 34).

Guthrie, H., Statistical Methods in Economics, (Irwin, Homewood, Illinois, 1966).

Harris, Simon, The World Commodity Scene and the Common Agricultural Policy, (Wye College, Center for European Agricultural Studies, 1975).

Hewitt, Adrian, European Community General Scheme of Preferences, (Overseas Development Institute, London, 1978).

Kakonen, Jyrki, Effects of the EEC Association on Foreign Trade and Diplomatic Relations of the African States, (University of Turku, Turku, 1976).

Keesing and Wolf, Martin, Textile Quotas Against Developing Countries, (Trade Policy Research Center, London, 1980).

Kemp, A., Africa and the EEC in Light of Lome and UNCTAD IV, (Aberdeen University African Studies Group, Aberdeen, 1977).

Kenya External Trade Authority, The Businessman's Guide to the Lome Convention, (Kenya External Trade Authority, Nairobi, 1977).

Ladygin, O., Rybakov, O., and Sedov, V., The Socialist Community at a New Stage, (Progress, Moscow, 1979).

Legum, Colin, African Comtemporary Record: Annual Survey of Documents 1978-79, (Africana Publishing Company, 1980).

Legum, Colin, et. al., Africa in the 1980's: A Continent In Crisis, (McGraw-Hill, New York, 1980).

Long, F., Political Economy of EEC Relations with ACP States, (Pergamon, Oxford, 1980).

Manigat, Leslie, The Caribbean Yearbook of International Relations, (Sythoff and Noordhoff, Netherlands, 1976).

Matthews, Jacqueline D., Association System of the European Community, (Praeger, New York, 1977).

Meyer, F., International Trade Policy, (St. Martin's Press, New York, 1978).

Murray, Tracy, Trade Preferences for Developing Countries, (John Wiley and Sons, New York, 1977).

Nabudere, D., Essays on the Theory and Practice of Imperialism, (Onyx Press, London, 1979).

Nankani, Gobindram, Development Problems of Mineral Exporting Countries, (World Bank Publication, Washington, D. C., 1979).

Nielsen, W., The Great Powers and Africa, (Praeger, New York, 1969).

Nye, J., Pan-Africanism and the East African Integration, (Harvard University Press, Massachusetts, 1967).

Okigbo, P., Africa and the Common Market, (Northwestern University Press, Evanston, 1967).

Palmberg, Mai, Problems of Socialist Orientation in Africa, (Almquist and Witsell, Stockholm, 1978).

Rivkin, Allen, Africa and the European Common Market, (The Social Science Foundation and Graduate School of International Studies, University of Denver, Colorado, 1966).

Roy, M., Lome Convention - Beginning of New International Economic Order - Notes and Documentary Studies, (Paris, 1976).

Rubin, Abby, Lome II: The Renegotiation of the Lome Convention, (Catholic Institute for International Relations, London, 1978).

Seers, Dudley, Schoffer, B., and Keljunen, M., Underdeveloped Europe, (Harvester Press, Sussex, 1979).

Seers, Dudley, and Vaitsos, Constantine, Integration and Unequal Development: The Experience of the EEC, (MacMillian, United Kingdom, 1980).

Shlaim, Avi and Yannopoulos, G., The EEC and the Mediterranean Countries, (University Press, Cambridge, 1976).

Souplet, Michel, La Convention de Lome, les accords mediterraneens conclus par la CEE et leurs consequences pour l'economie francaise, Avis adopte par le Conseil Economique Social au cours de sa seance du 13 decembre, 1978, (Le Conseil, Paris, 1979).

Twitchett, Carol Cosgrove, Europe and Africa: From Association to Partnership, (Saxon House, Teakfield Limited, 1979).

Twitchett, Kenneth J., Europe and the World: The External Relations of the Common Market, (Europa Press, London, 1976).

Vale, Peter, The Lome Conventions: From Sunday Charity to New International Economic Order, (1980).

Von Geusau, Frans, The Lome Convention and a New International Economic Order, (J. F. Kennedy Institute, Center for International Studies, Sythoff, 1977).

Wall, David, The Charity of Nations, (MacMillan, London, 1973)

Weil, G., A Handbook of the European Economic Community, (Praeger, Washington, D. C.).

Whitaker, Jenifer, Africa and the United States: Vital Interests, (New York University Press, New York, 1978).

White, David, The Politics of Foreign Aid (St. Martin Press, New York, 1974)

Zartman, William, The Politics of Trade Negotiations between Africa and the European Community: The Weak Confront the Strong, (Princeton University Press, Princeton, 1971).

JOURNALS ARTICLES, AND PERIODICALS

Africa, "EEC: Who Wants to Associate?," Africa, Number 7, 1972.

Africa, "Role of Banks in Africa," Africa, January, 1979.

Africa Confidential, Number 15, July 25, 1969.

Africa Confidential, March 3, 1972.

African Currents, Number 2, Summer, 1975.

African Report, "Afro-American Organization. A Review of African Policy," Volume 25, January/February, 1980.

Akinsaya, A., "The EEC and Africa," International Problems, Volume 16, Spring, 1977.

Annals of American Academy of Political and Social Science, Volume 442, March, 1979.

Bennet, Douglas, "United States and Africa: Growing Partnership," Agenda, Volume 3, March, 1980.

Berchi, M., "Stabilisation de Recettes D'exportations et taux de change des PVD," Revue Tiers-Monde, Paris, October/December, 1979.

Bird, Graham, "An Integrated Programme for Finance and Aid," The Banker, September, 1979.

Bloom, B., "Development States Assembled for Association Talks with the EEC," Financial Times, July 26, 1973.

Brook, Ezriel; Grilli, Enzo; and Waelbroeck, "Commodity Price Stabilization and the Developing Countries," Banca Nazionale del Lavoro Quarterly Review, No. 124, March 1978.

Butcher, Goler, "U. S. Assistance Must be Future Catalyst," Agenda, Volume 3, April, 1980.

Christian Science Monitor, Editorial on Lome II, February 5, 1980.

Coetzee, David, "Weighing up the Pros and Cons of the Lome Convention," New African Development, August, 1977.

Cooper, Richard, "The European Community's System of Generalized Tariff Preferences: a Critique," Journal of Development Studies, Volume 8, July, 1972.

Cotter, W., "Africa - America's Neglected Continent," Africa Report, Volume 24, March/April, 1979.

Cuddy, J., "Compensatory Financing in the North-South Dialogue," Journal of World Trade Law, Volume 13, January/February, 1979.

Current History, "U. S. Policy: Arms and Aid in Africa," Current History, Volume 77, July/August. (NEEDS YEAR)

Cutler, David, "IMF Liquidity," Finance and Development, June, 1979.

Dolan, Michael, "Lome II: Evolution of EEC-ACP Relations," Council for European Studies Conference, March, 1979.

Dolan, Michael and Caporaso, James, "The External Relations of the European Community," Annals of American Academy of Political and Social Science, November, 1978.

Institute for World Economies of the Hungarian Academy of Sciences, "Economic Relations of Africa with Socialist Countries, Volume I: Hungarian Contributions," Institute for World Economies of the Hungarian Academy of Sciences, 1978.

Economist, February 24, 1973.

Economist, "Adieu Yaounde," March 3, 1973.

Economist, March 31, 1973.

Economist, "Something for the Poorest," September 9, 1973.

Economist, February 1, 1975.

Economist, February 8, 1975.

Economist, August 2, 1975.

Economist, "Rewriting Lome," Economist, 1978.

Economist, "EEC and Zimbabwean Prime Minister Mugabe Interview," Economist, September, 1980.

Ehrhardt, Carl, "Sixty-six Countries en route to Lome II," Aussenpolitik, Volume 30, Number 4, 1979.

Financial Times, June 4, 1969.

Financial Times, "Great Britain's Textile Trade and Lome Conditions," 1980.

Financial Times, "British Textiles Sector," March 4, 1980.

Financial Times, December 29, 1979.

Friedebeig, A., "Lome Agreement-Cooperation Rather than Corporation," Journal of World Trade Law, Volume 9, Number 6, 1975.

Garrity, Monique, "Implications of the Lome Convention for African Trade and Development," Review of Black Political Economy, Fall, 1977.

Green, Reginald Heibold, "The Lome Convention Updated Dependence or Departure toward Collective Self-reliance," African Review, Volume 6, Number 1, 1976.

Harris, S., Parris, K., Ritson, C., and Tollens, E., "The Renegotiation of the ACP-EEC Convention of Lome with Special Reference to Agricultural Products," Centre for European Agricultural Studies, 1978.

Haq, Mahbub, "Changing Emphasis on Banks' Lending Policies," Finance and Development, Volume 15, June, 1978.

Hasse, Rolf and Weitz, Robert, "The Renegotiation of the Lome Convention," Intereconomies, November/December, 1978.

Hedrick, Manfred and Ropp, Klaus, "Lome II in the Light of Experience with Lome I," Aussenpolitik, Volume 29, Number 3, 1978.

Helleiner, G., "Lome Access and Industrial Cooperation," Journal of World Trade Law, Volume 13, Number 2, 1979.

Hulsman-Vejsova, Marie, "How Helpful is Compensatory Financing?," Intereconomics, January/February, 1978.

IMF, Survey, September 1, 1980.

Isser Conference on the New International Economic Order and UNCTAD IV, "The New International Economic Order and its Relevance for West Africa," Institute of Statistical, Social and Economic Research University of Ghana, 1975.

Johnson and Salop, "Distributional Aspects of Stabilization Programs in LDC's," IMF Staff Paper, Volume 27, March, 1980.

Joutsamo, K., "Lome Convention - Sun Never Sets," Institute for Research on Peace and Violence, Volume 5, Number 3, 1975.

Kirkpatrick, Colen, "The Renegotiation of the Lome Convention," National Westminster Bank Quarterly Review, May, 1979.

Kirkpatrick, C., "Lome II," Journal of World Trade Law, Volume 14, Number 4, July/August, 1980.

Krohn, H., "Lome Agreement between EEC and ACP Countries - New Phase in Developmental Aid Policy of EEC," Europa-Archivo, Volume 30, Number 6, 1975.

Laing, E. A., "New Departure in Multilateral Trade, Development and Cooperation - Lome Convention and its Impact on U. S.," Mercer Law Review, Volume 27, Number 3, 1976.

Laroussilke, Oliver de, "Lome: Double or Quits," Vision, July/August, 1978.

Laroussilke, Oliver de, "Europe and Self Interest or Aid in Africa," Vision, January, 1979.

Latin American Weekly, "CACM and the EEC," May 23, 1980.

Love, J. and Disney, R., "Lome Convention - Study of its Likely Benefits with Special Reference to Ethiopia," Journal of Economic Studies, Volume 3, Number 2, 1976.

Lucron, C., "Lome Convention - Example of Successful Cooperation," Review by C. Twitchett, Journal of Common Market Studies, Volume 17, 1978.

McGowan and Smith, "Economic Dependence in Africa," International Organization, Volume 32, Winter, 1978.

Modeley, John, "Changes Needed for Lome II," Africa Journal Limited, May, 1978.

Mytelka, Lynn, "Foreign Aid and Regional Integration, the UDEAC Case," Journal of Common Market Studies, December, 1973.

Mytelka, Lynn, "A Genealogy of Francophone West and Equatorial African Regional Organizations," Journal of Modern African Studies, June, 1974.

Mytelka, Lynn, "Fiscal Policies and Regional Redistribution," Journal of Conflict Resolution, March, 1975.

Mytelka, Lynn, "The Lome Convention and a New International Division of Labour," Journal of European Integration, Volume 1, Number 1, September, 1977.

Mytelka, Lynn, "Patterns of Direct Foreign Investment in the Ivory Coast: The Textile and Wood Industries," Report Prepared for the Development Centre of the OECD, June, 1979.

Mytelka, Lynn, "The Question of Development," Queen's Quarterly, March, 1981.

Nihan, G.; Demal, E.; and Jondah, C, "Modern Informal Sector in Lome," International Labor Review, Volume 118, Number 5, 1979.

Nowzad, B. "Managing External Debt in LDC's," Finance and Development, September, 1980.

Olofin, Sam, "ECOWAS and the Lome Convention: An Experiment in Complimentary or Conflicting Customs Union Arrangement," Journal of Common Market Studies, Volume XVI, Number 1, September, 1977.

Onwaka, R., "The Lome Convention: a Machinery for Economic Dependence or Interdependence?," Quarterly Journal of Administration, Volume 13, April-July, 1979.

Pinder, John, "The Community and the Developing Countries: Associates and Outsiders," Journal of Common Market Studies, Volume XII, Number 1, September, 1973.

Rao, S. K., "STABEX: A Review," (Commonwealth ACP/1/79)

Ravenhill, John, "Comparing Regime Performance in Africa," Journal of Modern African Studies, March, 1980.

Rhein, E., "Lome Agreement - Political and Juridical Aspects of Community Policy Towards LDC's," Common Market Law Review, Volume 12, Number 3, 1975.

Rhinesmith, Steve, "Americans in the Global Learning Process," Annals of American Academy of Political and Social Science, Volume 442, March, 1979.

Rood, L., "Foreign Investment in Africa Manufacturing," Journal of Modern African Studies, 1975.

Ross, A., "Trends in U. K. Confectionery Industry and its Problems ... The Sweet Life," Food Manufacture, November, 1980.

Shaw, Timothy and Grieve, Malcolm, "Dependence as an approach to understanding continuing inequalities in Africa," Journal of Developing Areas, April, 1979.

Shaw, Timothy and Grieve, Malcolm, "Dependence or Development: International and internal inequalities in Africa," Development and Change, July, 1977.

Shaw, Timothy and Grieve, Malcolm, "The Political Economy of Resources: Africa's Future in the Global environment," Journal of Modern African Studies, March, 1976.

Shaw, Timothy, "EEC-ACP Interactions and Images as Redefinitions of Eurafrica," Journal of Common Market Studies, Volume 18, December, 1979.

Shaw, Timothy and Grieve, Malcolm, "Inequalities and the State in Africa," The Review of Black Political Economy, Volume 8, Number 1, Fall, 1977.

Simmonds, K., "Lome Convention and New International Economic Order," Common Market Law Review, Volume 13, Number 3, 1976.

Simmonds, K., "Lome Convention - Implementation and Renegotiation," Common Market Law Review, Volume 16, Number 3, 1979.

Stopford, John, "Changing Perspectives on Investment by British Manufacturing Multi-Nationals," Journal of Business Studies, Fall/Winter, 1976.

Strange, Susan, "Conflict over Market-Sharing between Japan, U. S., and EEC in the 1970's," International Political Science Association, Moscow, August, 1979.

Stephens, Christopher, "The Lome Convention: a Good Deal for Industry?," Multinational Business, Number 1, 1980.

Twitchett, Carol, "Towards a New ACP-EEC Convention," World Today, Volume 34, December, 1978.

Van der Lee, Jacob, "Community Economic Relations with Associated African States and Other Countries," Annals of American Academy of Political and Social Science, July, 1963.

Wall, David, "The European Community's Lome Convention: Stabex and the Third World's Aspirations," Trade Research Centre, 1976.

West Africa, "The Market Game," Number 2855, March 3, 1972.

West Africa, May, 1973.

Wilford, W. "Mandate on U. S. Foreign Aid," Journal Social and Political Studies, Volume 4, Fall, 1979.

Wright, Peter, "World Bank Lending for Structural Adjustment," Finance and Development, September, 1980.

Zartman, William, "Europe and Africa: Decolonization or Dependence?," Foreign Affairs, Volume 54, January, 1976.

Zartman, William, "The EEC's New Deal with Africa," Africa Report,

EUROPEAN COMMUNITY DOCUMENTS

Lome I & II Dossier.

Pirzio-Biroli, C., "The Communities Development Cooperation Policies," March, 1980.

Courier, Numbers 33 - 68.

Official Journal of the European Communities, Volume C326, (December 31, 1979), and Vol. 23, C88 (April 10, 1980).

ACP-EEC Council of Ministers, <u>ACP-EEC Co-Operation Analysis-Application,</u> First & Second Annual Report, July 25, 1980.

<u>Commission of European Communities:</u>

"The Lome Convention and the Evaluation of EEC-ACP Cooperation," Information Memo (February, 1975).

"The Lome Convention and the Evaluation of EEC-ACP Cooperation," Information Memo (July, 1978).

"The Community and Southern Africa," Background Paper.

Working Paper, "Subject: Trend of Private Investment in the Developing Countries by Community Member States," February, 1979.

"Sugar, the European Community and the Lome Convention," Europe Information, 1979.

Bulletin of the European Communities, Communication from the Commission to the Council, "Raw materials in relations with the developing countries which export raw materials."

Lome, "Analysis Chapter by Chapter of the ACP-EEC Convention":

COM (77) 111 final.

COM (78) 73 final.

COM (78) 566 final.

COM (78) 623 final.

COM (79) 130 final.

COM (79) 289 final.

COM (79) 348 final.

COM (79) 395 final.

COM (80) 234 final.

COM (80) 239 final.

COM (80) 212 final.

COM (80) 626 final.

COM (80) 627 final.

European Investment Bank

Information, Number 25, April, 1981.

Annual Report 1979, 1980.

European Investment Bank under the Lome Convention, 1980.

European Parliament

Working Document 1-559/80, (PE66.230)

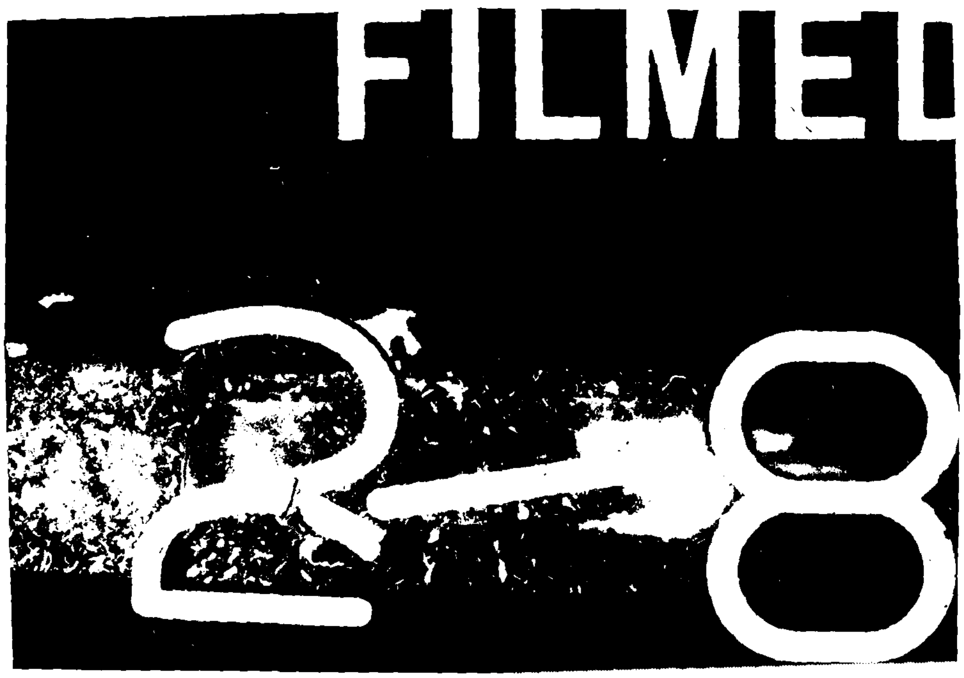
Working Document, "Report Drawn upon Behalf of the Committee on Development and Cooperation," Document, 1-698/80, 1981, pp. 14-16.

Working Document, 1-559/80, November, 1980.

Eurostat

"Analysis of Trade Between the EC and the ACP States," (Brussels, 1979).

"ACP: Statistical Yearbook," (Brussels, 1975-1977, 1972-1978).


FILMED
2-8